The Colony, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

COMING SOON

SAL**T** GRASS

GALAXY T**H**EATER

SCH**E**ELS

CIGARS INT'L

WATER FR**O**NT

WINDMIL**L**

OASIS

URBA**N** 8

TRUCK **Y**ARD

THE
COLONY
City by the Lake

CITY OF THE COLONY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

As Prepared By

The Finance Department

David Cranford, Director

THE
COLONY
City by the Lake

CITY OF THE COLONY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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INTRODUCTORY SECTION

THE
COLONY
City by the Lake

March 28, 2019

The Honorable Mayor and Members of the City Council
City of The Colony, Texas

The Finance Department of the City of The Colony is pleased to submit the Comprehensive Annual Financial Report of the City of The Colony, Texas, for the fiscal year ended September 30, 2018.

This report is published to provide the City Council, Management Staff, our Citizens and other interested parties with detailed information concerning the financial condition and performance of the City Government. Responsibility for the accuracy and completeness of the presented data and the fairness of the presentation, including all disclosures, rests with the City of The Colony.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

THE REPORT

The Comprehensive Annual Financial Report is presented in three major sections: Introductory, Financial, and Statistical. The Introductory Section includes a list of principal City Officials, this transmittal letter, and an organizational chart of the City Government. The Financial Section includes the Management's Discussion and Analysis (MD&A) and basic financial statements. This section also includes the independent accountants' report on the basic financial statements. The MD&A provides narrative introduction, overview, and analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section includes selected tables of comparative economic and financial data, generally presented on a multi-year basis, as well as demographic and other pertinent miscellaneous and operational statistics.

The Financial Statements included in this report were prepared in accordance with accounting principles generally accepted in the United States of America for local governments as prescribed by the Governmental Accounting Standards Board (GASB), The National Council on Governmental Accounting (NCGA), and the American Institute of Certified Public Accountants (AICPA). The financial statements have been audited by the independent accounting firm of Certified Public Accountants, Weaver, L.L.P., whose report is included herein.

POPULATION

The City's population has grown steadily since the early 2000's and is currently estimated at 53,000. Most recent residential growth is due to continued development at the Tribute (formerly known as Wynnwood Peninsula) and Austin Ranch just south of SH121.

The City's 2017 Ad Valorem tax base increased from the prior year by a little over 7.4% or $3.618 billion to $3.886 billion.

Sales tax revenues in the General Fund increased almost $743k or 11.7% from the previous year and reflects businesses locating along SH121. Sales tax represents approximately 12% of the City's General Fund total income.

Water and sewer revenues have trended up over the past 10 years. 2017-2018 revenues increased from the prior year by $1.78 million or 17% due primarily to a 16% increased volumes.

Ad Valorem Tax Rate

Ad Valorem tax rate was reduced from $.665 to $.6625 per $100 valuation for fiscal year 2017-2018. Council's expectation is to continue to reduce the tax rate as additional revenues from growth and increased property valuations permit.

Fund Balance - General Fund

Reserves in the General Fund decreased slightly from the prior fiscal year to a little under 14.4 million or 139 operating days. Council's goal is 90 days.

Fund Balance - Utility Fund

Utility Fund reserves increased a little over $2.8 million during the fiscal year to just under $4.9 million or 89 operating days. Council's goal is 60 days.

PROSPECT FOR THE FUTURE

The Colony's prospects for the future are promising and very optimistic. Most recent economic drivers are:

Completion of Sam Rayburn Tollway (formerly known as State Highway 121), provides easy access to the north entrance of the DFW International Airport. The Tollway also provides easy access to Dallas and George Bush Tollways and Interstate 75, making access to most of the Metroplex easy.

Reconstruction of Arterial Streets was completed several years ago. Reconstruction of FM426 (Main St) was completed in late 2017.

This is the 5th year of activity for the Local Development Corporation component unit established to govern the City's interest in the TIRZ ONE.

This is the third year of an operating PID assessment established by the City to maintain the Grandscape grounds. Council approves the annual PID operating assessment for TIRZ ONE property owners during the meeting in which the tax rate is approved.

FINANCIAL MANAGEMENT

The Colony continues to evaluate operating activity to help ensure services are provided as efficiently as possible. Service levels are reviewed in conjunction with revenues, expenses, and reserves to help ensure the best possible use is made of available resources.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of The Colony, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2017. (This was the 28th consecutive year that The Colony has achieved this prestigious award.) In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA' s Distinguished Budget Presentation Award for its annual budget document for the year beginning October 1, 2017. The City has received the award annually since the budget year beginning on October 1, 1993. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operation guide, and a communications device.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to thank the Mayor and City Council for their interest and leadership in planning and conducting the financial operations of the City of The Colony in a responsible and progressive manner.

Respectfully submitted,

Troy Powell, City Manager

David Cranford, Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of The Colony

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

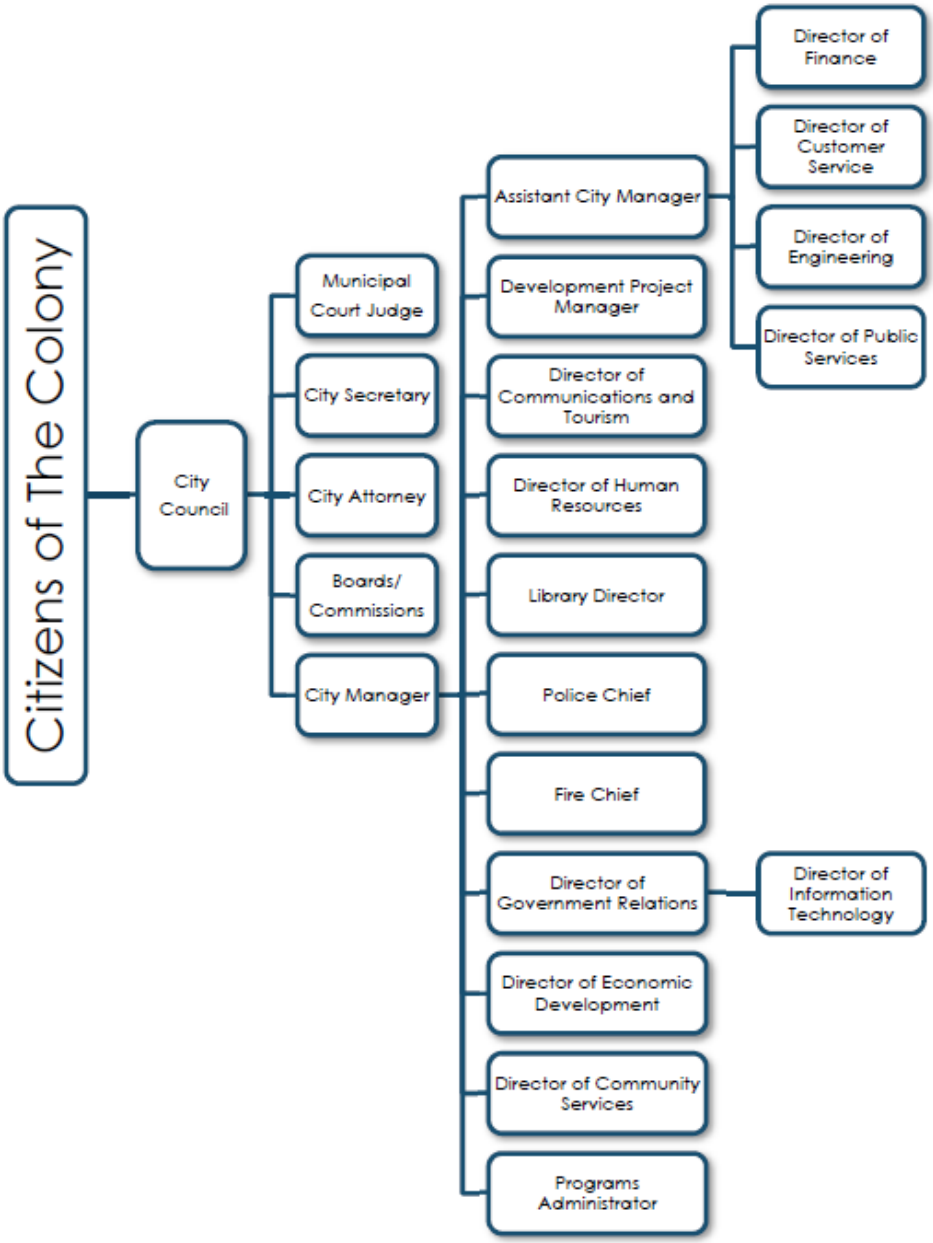
Christopher P. Morrill

Executive Director/CEO

CITY OF THE COLONY, TEXAS

ORGANIZATIONAL CHART

SEPTEMBER 30, 2018



CITY OF THE COLONY, TEXAS

CITY STAFF

September 30, 2018

City Manager's Office	Troy Powell, City Manager
City Manager's Office	Tim Miller, Assistant City Manager
City Manager's Office	Tod Maurina, Development Project Manager
City Manager's Office	Brant Shallenburger, Director of Government Relations
City Secretary's Office	Tina Stewart, City Secretary
Human Resources	Rodney Wallican, Director
Finance	David Cranford, Director
Public Services	Evan Groeschel, Director
Engineering	Ron Hartline, Director
Fire	Scott Thompson, Chief
Police	David Coulon, Chief
Municipal Court	Constance White, Court Administrator
Parks and Recreation/ Community Development	Pam Nelson, Director of Community Services
Economic Development	Keri Samford, Director
Library	Megan Charters, Director
Utility Administration/ Customer Services	Molly Owczar, Director

FINANCIAL SECTION

THE
COLONY
City by the Lake

Independent Auditor's Report

To the Honorable Mayor,
City Council, and City Manager
City of The Colony, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of The Colony, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax:972.702.8321
CPAs AND ADVISORS | WEAVER.COM

The Honorable Mayor,
City Council, and City Manager
City of The Colony, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 15 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Beginning net position has been restated to reflect the change in accounting principle for implementation of this Statement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, TMRS pension and OPEB schedules on pages 69-73, and the budgetary comparison information on pages 74 and 75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor,
City Council, and City Manager
City of The Colony, Texas

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 28 2019

THE
COLONY
City by the Lake

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

The City of The Colony (the City) is providing this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2018. This Management's Discussion and Analysis (MD&A) provides additional information that was not contained in the Letter of Transmittal. Readers are advised to read both to gain understanding of the financial picture of the City. This discussion and analysis includes prior year data for comparison purposes.

Financial Highlights

- The City's total assets and deferred outflows of resources exceeded the City's total liabilities and deferred inflows of resources at the close of the fiscal year by $321,722,074. Of this amount $13,591,577 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $3,074,422, exclusive of the cumulative effect of the change in accounting principles, due to a decrease in net position of $6,640,857 in governmental activities and an increase of $9,715,279 in business-type activities.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $40,084,839, an increase of $10,251,556. The general fund reported an increase in fund balance of $322,667. The capital projects fund had an increase in fund balance of $9,421,768 primarily due to the issuance of certificates of obligation. Out of the $40,084,839 fund balances in the governmental funds, $14,396,285 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $14,396,285 or 38.22% of total general fund expenditures.
- The City's non-current liabilities increased by $3,607,401 (2.86%) during the current fiscal year. The City issued $14,140,000 of certificates of obligation during 2018.

Overview of the Financial Statements

The MD&A serves as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as incurred regardless of when cash is received or paid. Thus, revenues and expenses are reported on accrual basis even though cash flows occur in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, sanitation, and culture and recreation. The business-type activities of the City include water and sewerage operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, legally separate community development corporation, legally separate local development corporation, and legally separate tax increment reinvestment zone, for which the City of The Colony is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported as governmental activities, including the general government, public safety, municipal court, public works, culture and recreation, planning and zoning, public improvements, and code enforcement. Taxes and intergovernmental revenues principally support these services.
- Business-type Activities – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are considered business-type activities. The business-type activities of the City include Water and Sewer Utility.
- Component Units – The City includes three separate legal entities, The Colony Economic Development Corporation, The Colony Community Development Corporation, and The Colony Local Development Corporation in its report. Although they are legally separate, they are included as component units because the City is accountable for them. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the City can be divided into two categories:

1. **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

   Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

   The City maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Non-major governmental funds are aggregated in total.

   The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund, and Storm Water Utility Fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

2. **Proprietary funds** – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer utility fund is considered to be a major fund of the City.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. This MD&A is part of the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of the close of the current fiscal year, the City's net position totaled $321,722,074.

The largest portion of the City's net position (93%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generate revenues to liquidate these liabilities.

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions on how they may be used (primarily for debt service and infrastructure improvements). The remaining balance of net position ($13,591,577) may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 47,491,494	$ 34,964,438	$ 26,297,332	$ 27,359,825	$ 73,788,826	$ 62,324,263
Capital assets	233,901,817	237,648,531	149,695,629	145,435,324	383,597,446	383,083,855
Total assets	281,393,311	272,612,969	175,992,961	172,795,149	457,386,272	445,408,118
Deferred outflows of resources	4,008,100	6,168,998	1,472,183	1,948,943	5,480,283	8,117,941
Long-term liabilities outstanding	67,704,505	56,355,914	62,224,233	69,965,423	129,928,738	126,321,337
Other liabilities	5,312,363	4,420,313	3,575,686	2,977,339	8,888,049	7,397,652
Total liabilities	73,016,868	60,776,227	65,799,919	72,942,762	138,816,787	133,718,989
Deferred inflows of resources	2,023,621	391,956	304,073	66,257	2,327,694	458,213
Net position:						
Net investment in capital assets	193,724,440	204,138,146	103,990,659	97,282,865	297,715,099	301,421,011
Restricted	7,932,454	4,808,794	2,482,944	2,323,551	10,415,398	7,132,345
Unrestricted	8,704,028	8,666,844	4,887,549	2,128,657	13,591,577	10,795,501
Total net position	$ 210,360,922	$ 217,613,784	$ 111,361,152	$ 101,735,073	$ 321,722,074	$ 319,348,857

At the end of the current fiscal year, the City has positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

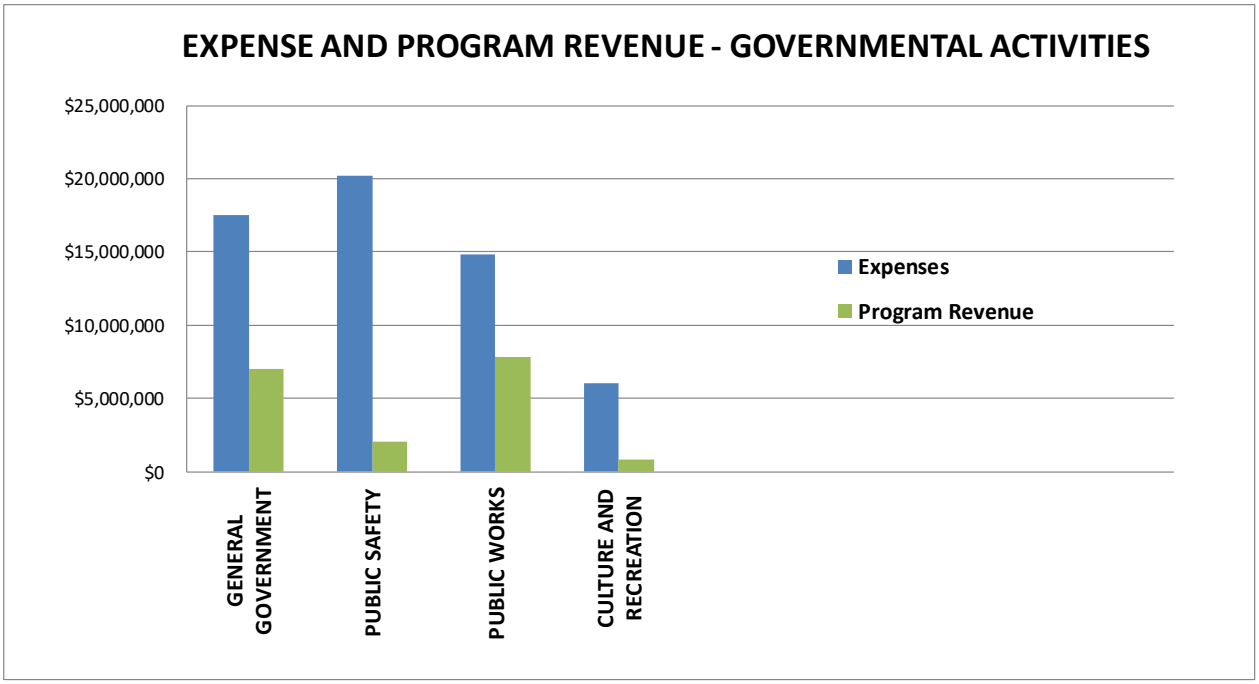
The City's net position increased by $3,074,422, exclusive of the cumulative effect of the change in accounting principles. Total assets increased by $11,978,154. Capital assets increased by $513,591, while current and other assets increased by $11,464,563.

Change in Net Position

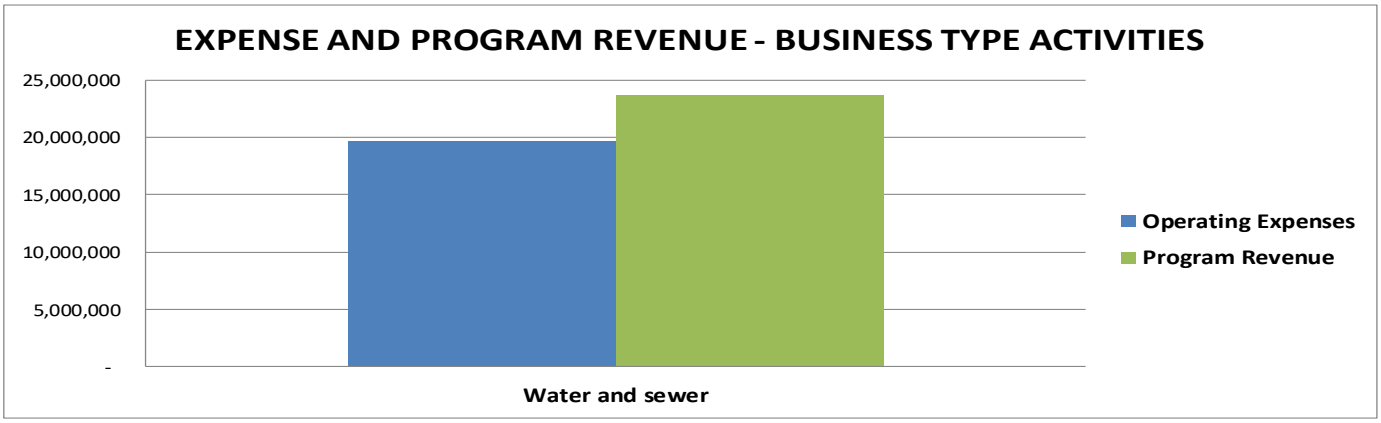
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 7,423,544	$ 6,677,171	$ 20,009,706	$ 17,724,046	$ 27,433,250	$ 24,401,217
Operating grants and contributions	103,553	2,641,513	-	306,545	103,553	2,948,058
Capital grants and contributions	10,158,807	10,303,953	3,622,560	53,449,568	13,781,367	63,753,521
General revenues:						
Property taxes	27,718,421	24,844,613	-	-	27,718,421	24,844,613
Sales taxes	7,100,104	6,357,581	-	-	7,100,104	6,357,581
Franchise taxes	2,705,950	2,609,706	-	-	2,705,950	2,609,706
Other taxes	1,525,722	1,275,280	-	-	1,525,722	1,275,280
Interest	729,690	256,672	356,102	205,547	1,085,792	462,219
Miscellaneous	1,521,033	838,429	-	-	1,521,033	838,429
Total revenues	58,986,824	55,804,918	23,988,368	71,685,706	82,975,192	127,490,624
Expenses:						
General government	17,442,292	13,083,945	-	-	17,442,292	13,083,945
Public safety	19,917,944	18,890,580	-	-	19,917,944	18,890,580
Public works	15,129,445	33,776,656	-	-	15,129,445	33,776,656
Culture and recreation	6,011,423	5,504,249	-	-	6,011,423	5,504,249
Interest on long-term debt	1,729,008	1,731,842	-	-	1,729,008	1,731,842
Water and sewer	-	-	19,670,658	19,040,918	19,670,658	19,040,918
Total expenses	60,230,112	72,987,272	19,670,658	19,040,918	79,900,770	92,028,190
Increase (decrease) in net position before transfers	(1,243,288)	(17,182,354)	4,317,710	52,644,788	3,074,422	35,462,434
Transfers	(5,397,569)	(4,088,203)	5,397,569	4,088,203	-	-
Increase (decrease) in net position	(6,640,857)	(21,270,557)	9,715,279	56,732,991	3,074,422	35,462,434
Net position, as previously reported	217,613,784	238,884,341	101,735,073	45,002,082	319,348,857	283,886,423
Change in accounting princple	(612,005)	-	(89,200)	-	(701,205)	-
Beginning net position (October 1)	217,001,779	238,884,341	101,645,873	45,002,082	318,647,652	283,886,423
Ending net position (September 30)	$ 210,360,922	$ 217,613,784	$ 111,361,152	$ 101,735,073	$ 321,722,074	$ 319,348,857

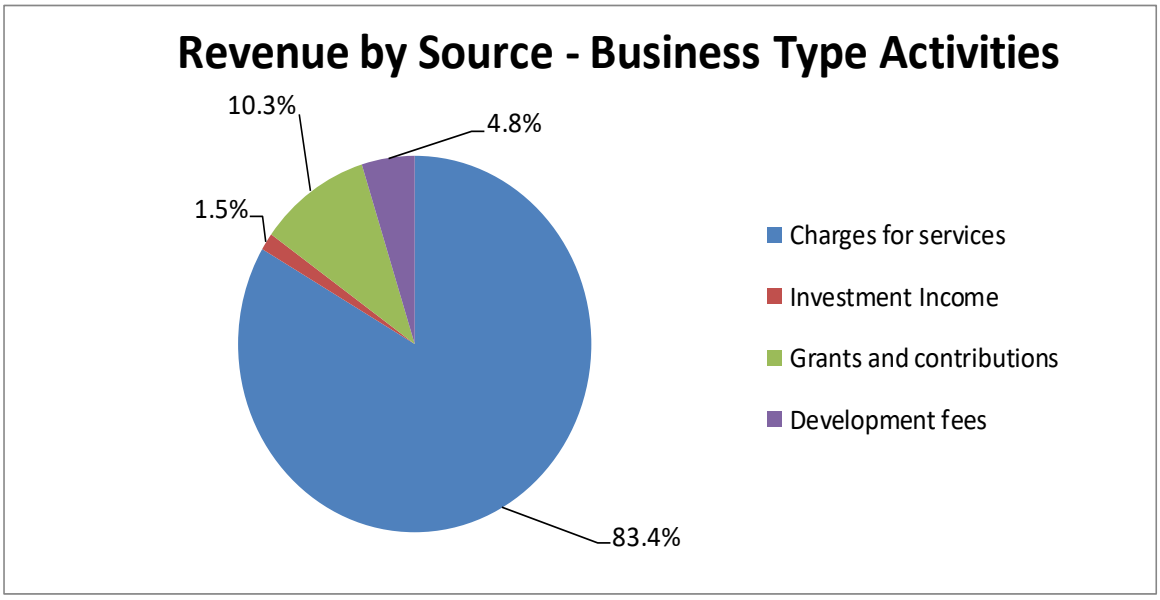
Governmental Activities - Governmental activities decreased the City's net position by $6,640,857 compared to a decrease of $21,270,557 in the prior year. Key elements of this decrease are as follows:

- The contribution of $8,524,975 capital assets to the Texas Department of Transportation.
- The decrease in net positon was partially offset by an increase in property taxes of $2,873,808 due to higher property assessment values.



Business-type Activities - Business-type activities increased the City's net position by $9,715,279. The overall increase in net position is primarily due to developer contributions of $2,154,295 and transfers from governmental activities of $3,962,610 to reallocate debt and $2,017,759 for capital projects and operational costs.





Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $40,084,839 an increase of $10,251,556 in comparison with the prior year. Approximately 35.91% of this total amount ($14,396,285) constitutes the unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been committed, restricted, or is nonspendable for:

1. Capital projects ($21,229,696) including infrastructure projects to be funded with intergovernmental revenues,
2. Pay debt service ($1,159,562),
3. Parks or special events ($874,479),
4. Various purposes ($2,313,497),
5. Inventory and prepaid items ($111,320).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $14,396,285. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 38.22% of total general fund expenditures (excluding transfers to other funds).

The fund balance of the City's General Fund increased by $322,667 during the current fiscal year due to an excess of revenues over expenditures of $1,457,264 (primarily the net effect of a $2.8 million increase in ad valorem taxes and net transfers out to other funds of $1,134,597).

The Debt Service Fund has a total fund balance of $1,159,562, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was $26,026. The City has a dedicated property tax for general debt service. The property tax produced debt service fund revenues of $6,353,986 in the current fiscal year with debt service payments for principal and interest on debt of $6,530,613.

The Capital Projects Fund has a total fund balance of $21,229,756, all of which is restricted or committed for future expenditures of currently approved capital items. The increase in fund balance during the current year was $9,421,768 which was attributable to the net effect of the issuance of new bonds transferred from the debt service fund, contributions, and capital outlay.

Proprietary funds. The City's proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail.

General Fund Budgetary Highlights

During the year, there was a $482,964 increase in appropriations between the original and final budget. Overall, revenues had a $1,499,898 positive variance between final budget and actual revenues, which was offset by a negative variance of $433,338 between budgeted and actual expenditures. Actual revenues to budgeted revenues remained consistent with the largest positive variance coming from property taxes, $852,161, due to higher than expected assessed property values. Budgeted expenditures remained consistent with actual expenditures with the exception of general government, which experienced a negative variance of ($809,609) due to legal costs expected to be reimbursed.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to $383,597,446 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, water and sewer system infrastructure improvements, machinery and equipment, park facilities, and roads. The City's investment in capital assets for the current fiscal year increased by twelve percent (an six percent decrease for governmental activities and a sixty-seven percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Phases VI & VII - Streets
- Wastewater Treatment Plant Expansion Project – Stewart's Creek.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Capital Assets Being Depreciated:						
Water systems	$ -	$ -	$ 65,292,695	$ 63,711,766	$ 65,292,695	$ 63,711,766
Sanitary sewer systems	-	-	47,682,282	48,544,942	47,682,282	48,544,942
Drainage system	-	-	72,967	98,899	72,967	98,899
Buildings	17,121,645	17,494,261	166,540	180,274	17,288,185	17,674,535
Improvements other than buildings	10,464,604	10,226,132	-	-	10,464,604	10,226,132
Aquatic Park	743,198	806,143	-	-	743,198	806,143
Machinery and equipment	4,533,797	5,071,649	1,892,066	2,046,129	6,425,863	7,117,778
Infrastructure	161,810,585	157,264,701	8,858,510	8,958,342	170,669,095	166,223,043
	$ 194,673,829	$ 190,862,886	$ 123,965,060	$ 123,540,352	$ 318,638,889	$ 314,403,238
Capital Assets Not Being Depreciated:						
Land and land improvements	$ 4,510,684	$ 4,510,684	$ 3,273,472	$ 3,273,472	$ 7,784,156	$ 7,784,156
Right-of-ways	25,571,036	25,571,036	-	-	25,571,036	25,571,036
Construction in progress	9,146,268	16,703,925	22,457,097	18,621,500	31,603,365	35,325,425
	$ 39,227,988	$ 46,785,645	$ 25,730,569	$ 21,894,972	$ 64,958,557	$ 68,680,617

Additional information on the City's capital assets can be found in Note 4 on pages 45-47 to the basic financial statements.

Outstanding Debt

	Government Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 15,711,300	$ 16,580,250	$ 20,873,700	$ 24,154,095	$ 36,585,000	$ 40,734,345
Certificates of Obligation	37,356,650	22,872,150	36,043,350	39,383,100	73,400,000	62,255,250
Capital Leases	595,597	683,127	-	-	595,597	683,127
	$ 53,663,547	$ 40,135,527	$ 56,917,050	$ 63,537,195	$ 110,580,597	$ 103,672,722

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $109,985,000. The entire amount represents debt backed by the full faith and credit of the City.

The City's total long-term liabilities increased by $3,607,401 during the current fiscal year. The most significant factor in this increase was the issuance of $14,140,000 Certificates of Obligation.

Additional information on the City's long-term debt can be found in Note 5 on pages 48-54 to the basic financial statements.

The City's general and revenue obligations maintain an AA+ rating, respectively, from Standard & Poor's and an Aa3 rating respectively from Moody's Investors Service. The high rating speaks well of the City's proactive approach to economic development and financial management.

The revenue supported debt in the Water and Sewer Fund is limited to the net revenues equal to at least 1.10 times the maximum annual principal and interest requirements and 1.25 times the average annual principal and interest requirements of all parity bonds to be outstanding.

Economic Factors and Next Year's Budgets and Rates

- Ad valorem tax base increased by a little over $456 million during the 17-18 fiscal year.
- Total sales tax is projected to remain strong due to continued economic growth from commercial construction.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, The City of The Colony, 6800 Main Street, The Colony, Texas 75056.

THE
COLONY
City by the Lake

BASIC FINANCIAL STATEMENTS

THE
COLONY
City by the Lake

GOVERNMENT – WIDE
FINANCIAL STATEMENTS

THE
COLONY
City by the Lake

EXHIBIT 1

CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 41,166,606	$ 20,715,991	$ 61,882,597	$ 8,763,524
Receivables (net of allowance for uncollectibles)	6,213,568	2,326,143	8,539,711	2,117,870
Inventories	79,032	128,831	207,863	-
Prepaid expenses	32,288	9,513	41,801	3,856,438
Restricted:				
Cash and cash equivalents	-	3,116,854	3,116,854	25,507,639
Capital assets:				
Non-depreciable	39,227,988	25,730,569	64,958,557	30,417,863
Depreciable (net of depreciation)	194,673,829	123,965,060	318,638,889	-
TOTAL ASSETS	281,393,311	175,992,961	457,386,272	70,663,334
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	746,357	904,123	1,650,480	-
Deferred outflows - OPEB	55,959	8,155	64,114	-
Deferred outflows - pensions	3,205,784	559,905	3,765,689	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,008,100	1,472,183	5,480,283	-
LIABILITIES				
Accounts payable and accrued liabilities	4,859,326	918,553	5,777,879	1,235,288
Accrued interest payable	258,233	-	258,233	5,886,375
Retainage payable	194,804	-	194,804	-
Payable from restricted assets:				
Accounts payable and accrued liabilities	-	1,287,077	1,287,077	-
Accrued interest payable	-	324,808	324,808	-
Customer meter deposits	-	1,045,248	1,045,248	-
Non-current liabilities:				
Due within one year	7,861,382	4,889,090	12,750,472	1,107,012
Due in more than one year	59,843,123	57,335,143	117,178,266	202,917,646
TOTAL LIABILITIES	73,016,868	65,799,919	138,816,787	211,146,321
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	2,023,621	304,073	2,327,694	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,023,621	304,073	2,327,694	-
NET POSITION				
Net investment in capital assets	193,724,440	103,990,659	297,715,099	(153,570,481)
Restricted for:				
Debt service	902,127	-	902,127	-
Government funded construction contracts	4,716,830	2,482,944	7,199,774	-
Other	2,313,497	-	2,313,497	-
Unrestricted	8,704,028	4,887,549	13,591,577	13,087,494
TOTAL NET POSITION	$ 210,360,922	$ 111,361,152	$ 321,722,074	$ (140,482,987)

The Notes to Financial Statements are an integral part of this statement.

CITY OF THE COLONY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 17,442,292	$ 2,389,337	$ 49,705	$ 4,551,792
Public safety	19,917,944	1,966,757	53,500	-
Public works	15,129,445	2,245,868	348	5,594,379
Culture and recreation	6,011,423	821,582	-	12,636
Interest on long-term debt	1,729,008	-	-	-
Total governmental activities	60,230,112	7,423,544	103,553	10,158,807
Business-type Activities:				
Water and sewer	19,670,658	20,009,706	-	3,622,560
Total business-type activities	19,670,658	20,009,706	-	3,622,560
TOTAL PRIMARY GOVERNMENT	$ 79,900,770	$ 27,433,250	$ 103,553	$ 13,781,367
COMPONENT UNITS:				
The Colony Economic Development Corporation	$ 5,411,948	$ -	$ -	$ 1,680,655
The Colony Community Development Corporation	7,488,072	-	-	-
The Colony Local Development Corporation	10,285,651	-	3,164,414	-
TOTAL COMPONENT UNITS	$ 23,185,671	$ -	$ 3,164,414	$ 1,680,655

General Revenues and Transfers:
- Taxes:
  - Property taxes, levied for general purposes
  - Sales taxes
  - Franchise taxes
  - Hotel/motel taxes
  - Penalties and interest
- Interest on investments
- Miscellaneous
- Transfers

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, beginning of year

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

NET POSITION, end of year

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business - Type Activities	TOTAL	COMPONENT UNITS
$ (10,451,458)	$ -	$ (10,451,458)	$ -
(17,897,687)	-	(17,897,687)	-
(7,288,850)	-	(7,288,850)	-
(5,177,205)	-	(5,177,205)	-
(1,729,008)	-	(1,729,008)	-
(42,544,208)	-	(42,544,208)	-
-	3,961,608	3,961,608	-
-	3,961,608	3,961,608	-
$ (42,544,208)	$ 3,961,608	$ (38,582,600)	$ -
$ -	$ -	$ -	$ (3,731,293)
-	-	-	(7,488,072)
-	-	-	(7,121,237)
$ -	$ -	$ -	$ (18,340,602)
$ 27,584,526	$ -	$ 27,584,526	$ -
7,100,104	-	7,100,104	17,857,689
2,705,950	-	2,705,950	-
1,525,722	-	1,525,722	-
133,895	-	133,895	-
729,690	356,102	1,085,792	305,177
1,521,033	-	1,521,033	75,500
(5,397,569)	5,397,569	-	-
35,903,351	5,753,671	41,657,022	18,238,366
(6,640,857)	9,715,279	3,074,422	(102,236)
217,613,784	101,735,073	319,348,857	(140,380,751)
(612,005)	(89,200)	(701,205)	
$ 210,360,922	$ 111,361,152	$ 321,722,074	$ (140,482,987)

THE
COLONY
City by the Lake

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

EXHIBIT 3

CITY OF THE COLONY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	$ 14,948,146	$ 1,162,185	$ 21,930,273	$ 3,126,002	$ 41,166,606
Receivables, net of allowances for uncollectibles:					
Ad valorem taxes	214,651	798	-	-	215,449
Service accounts receivable	185,114	-	-	-	185,114
Franchise taxes	485,500	-	-	-	485,500
Sales taxes	2,117,869	-	-	-	2,117,869
Other	2,556,137	-	389,619	263,880	3,209,636
Prepaid	31,357	-	60	871	32,288
Inventory	79,032	-	-	-	79,032
TOTAL ASSETS	$ 20,617,806	$ 1,162,983	$ 22,319,952	$ 3,390,753	$ 47,491,494
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	$ 3,759,405	$ 2,623	$ 895,392	$ 201,906	$ 4,859,326
Retainage payable	-	-	194,804	-	194,804
TOTAL LIABILITIES	3,759,405	2,623	1,090,196	201,906	5,054,130
DEFERRED INFLOWS OF RESOURCES					
Unavailable resources - property taxes	205,881	798	-	-	206,679
Unavailable resources - other	2,145,846	-	-	-	2,145,846
TOTAL DEFERRED INFLOWS OF RESOURCE	2,351,727	798	-	-	2,352,525
FUND BALANCES					
Nonspendable	110,389	-	60	871	111,320
Restricted:					
Capital projects	-	-	20,717,454	-	20,717,454
Debt service	-	1,159,562	-	-	1,159,562
Other	-	-	-	2,313,497	2,313,497
Committed	-	-	512,242	874,479	1,386,721
Unassigned	14,396,285	-	-	-	14,396,285
TOTAL FUND BALANCES	14,506,674	1,159,562	21,229,756	3,188,847	40,084,839
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 20,617,806	$ 1,162,983	$ 22,319,952	$ 3,390,753	$ 47,491,494

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 4

CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds	$	40,084,839
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		233,901,817
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(258,233)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		2,352,525
Deferred outflows of resources of $3,205,784 related to the City's net pension liability increase net position in the government-wide financial statements, while deferred inflows ($2,023,621) reduce it. This amount is the net effect.		1,182,163
Deferred outflows of resources related to the City's total OPEB liability reduce net position in the government-wide financial statements.		55,959
Deferred charges on refunding of long-term debt are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental funds.		746,357
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:		
Bonds payable		(53,067,950)
Net pension liability		(7,104,136)
Total OPEB liability		(723,566)
Capital leases payable		(595,597)
Premium on issuance of debt		(3,260,811)
Compensated absences		(2,952,445)
Net position of governmental activities	$	210,360,922

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 5

CITY OF THE COLONY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Ad valorem taxes, penalties and interest	$ 21,719,401	$ 6,353,986	$ -	$ -	$ 28,073,387
Franchise taxes	2,705,950	-	-	-	2,705,950
Municipal sales tax	7,100,104	-	-	-	7,100,104
Licenses and permits	2,283,458	-	-	900,058	3,183,516
Charges for services	1,689,129	-	-	1,556,455	3,245,584
Fines and forfeitures	934,195	-	-	50,549	984,744
Grants	49,054	-	-	53,500	102,554
Gifts and contributions	1,473,792	-	3,129,601	109,308	4,712,701
Hotel / Motel taxes	-	-	-	1,525,722	1,525,722
Intergovernmental	-	-	905,300	-	905,300
Investment income	439,142	202,653	6,291	81,604	729,690
Miscellaneous	730,955	-	677,495	112,583	1,521,033
Total revenues	39,125,180	6,556,639	4,718,687	4,389,779	54,790,285
EXPENDITURES					
Current					
General government	11,537,637	-	-	1,250,276	12,787,913
Public safety	18,289,599	-	144,639	104,033	18,538,271
Public works	3,234,529	-	396,669	324,603	3,955,801
Cultural and recreation	4,016,539	-	-	1,354,069	5,370,608
Capital outlay	589,612	-	7,884,794	510,703	8,985,109
Debt service:					
Principal retirement	-	4,485,630	-	-	4,485,630
Interest and fiscal charges	-	2,044,983	-	-	2,044,983
Other debt service costs	-	194,643	-	-	194,643
Total expenditures	37,667,916	6,725,256	8,426,102	3,543,684	56,362,958
Excess (deficiency) of revenues over (under) expenditures	1,457,264	(168,617)	(3,707,415)	846,095	(1,572,673)
OTHER FINANCING SOURCES (USES)					
Premium on issuance of bonds	-	533,188	-	-	533,188
Issuance of bonds	-	12,726,000	-	-	12,726,000
Transfers from other funds	105,000	-	13,164,142	500,766	13,769,908
Transfers to other funds	(1,239,597)	(13,064,545)	(34,959)	(865,766)	(15,204,867)
Total other financing sources (uses)	(1,134,597)	194,643	13,129,183	(365,000)	11,824,229
NET CHANGE IN FUND BALANCES	322,667	26,026	9,421,768	481,095	10,251,556
FUND BALANCES, BEGINNING OF YEAR	14,184,007	1,133,536	11,807,988	2,707,752	29,833,283
FUND BALANCES, END OF YEAR	$ 14,506,674	$ 1,159,562	$ 21,229,756	$ 3,188,847	$ 40,084,839

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 6

CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	$ 10,251,556
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets additions recorded in the current period as capital outlay.	8,806,220
Loss on disposal of capital assets results in a decrease in net position in the government-wide financial statements, but the net effect is not reported in the governmental funds.	(8,639,779)
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	4,842,679
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(8,755,834)
Current year changes in long term liability for compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	(114,702)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	(57,530)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
o Bond principal and capital lease payments	4,485,630
o Bond issuance	(12,726,000)
o Premium from bond issuance	(533,188)
o Decrease from bond allocation of $5,287,650, decrease from premium allocation of $488,102, and increase from allocation of deferred refunding amount $67,428	(5,708,324)
o Amortization of deferred refunding amount	214,888
o Amortization of bond premium	353,260
Implementation of GASB 68 requires certain expenditures to be de-expended and recorded as deferred inflows and outflows of resources. This amount is the net effect of current year pension liability, and deferred inflows/outflows.	(445,111)
Implementation of GASB 75 requires certain expenditures to be de-expended and recorded as deferred inflows and outflows of resources. This amount is the net effect of current year pension liability, and deferred inflows/outflows.	(55,602)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in these revenues for the year.	1,440,980
Change in Net Position of Governmental activities	$ (6,640,857)

The Notes to Financial Statements are an integral part of this statement.

THE
COLONY
City by the Lake

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 20,715,991
Receivables, net of allowance for uncollectibles:	
Accounts	2,315,942
Other	10,201
Due from other funds	
Inventories	128,831
Prepaid expenses	9,513
Restricted cash and cash equivalents	3,116,854
Total current assets	26,297,332
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land	3,273,472
Water system and sanitary sewer system	154,395,271
Drainage system	1,684,364
Buildings	724,161
Machinery and equipment	4,268,316
Engineering fees	2,473,213
Organizational costs	14,473,834
Construction in progress	22,457,097
Total capital assets	203,749,728
Less: accumulated depreciation	(54,054,099)
Capital assets, net of accumulated depreciation	149,695,629
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	559,905
Deferred outflows - OPEB	8,155
Deferred charge on refunding	904,123
Total deferred outflows of resources	1,472,183
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 177,465,144

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 7

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 918,553
Accrued compensated absences	352,090
Payable from restricted assets:	
Accounts payable and accrued expenses	1,287,077
Revenue bonds payable	4,537,000
Accrued interest payable	324,808
Customer meter deposits	1,045,248
Total current liabilities	8,464,776
NON-CURRENT LIABILITIES	
Revenue bonds payable	56,104,204
Total OPEB liability	105,459
Net pension liability	1,125,480
Total non-current liabilities	57,335,143
TOTAL LIABILITIES	65,799,919
DEFERRED INFLOWS OF RESOURCES	
Unavailable resources - pensions	304,073
Total deferred inflows of resources	304,073
NET POSITION	
Net Investment in capital assets	103,990,659
Restricted for:	
Construction	2,482,944
Unrestricted	4,887,549
TOTAL NET POSITION	111,361,152
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 177,465,144

EXHIBIT 8

CITY OF THE COLONY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
OPERATING REVENUES	
Charges for sales and services:	
Water service	$ 12,283,971
Wastewater treatment service	6,218,840
Other fees and penalties	1,355,579
Service charges	34,941
Miscellaneous	116,375
Total operating revenues	20,009,706
OPERATING EXPENSES	
Personnel services	4,450,058
Contractual services	1,158,147
Supplies	541,428
Maintenance	1,166,222
Water purchases	2,820,946
Overhead	2,593,752
Depreciation	4,798,444
Total operating expenses	17,528,997
OPERATING INCOME	2,480,709
NON-OPERATING REVENUES (EXPENSES)	
Investment income	356,102
Interest and fiscal charges	(2,141,661)
Total non-operating revenues (expenses)	(1,785,559)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	695,150
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Contributions for debt reallocation	3,962,610
Capital contributions	2,461,139
Development fees	1,161,421
Transfers from other funds	1,434,959
Total capital contributions and transfers	9,020,129
CHANGE IN NET POSITION	9,715,279
NET POSITION, BEGINNING OF YEAR	101,735,073
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(89,200)
NET POSITION, END OF YEAR	$ 111,361,152

The Notes to the Financial Statements are an integral part of this statement.

THE
COLONY
City by the Lake

EXHIBIT 9

CITY OF THE COLONY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 19,880,600
Cash paid to employees for services	(4,355,695)
Cash paid for goods and services	(7,629,258)
Net cash provided by operating activities	7,895,647
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,434,959
Net cash provided by non-capital financing activities	1,434,959
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on revenue bond maturities	(4,427,150)
Cost of bond issuance	(16,925)
Proceeds from issuance of bonds	1,414,000
Premium on issuance of bonds	40,725
Grants and contributions	306,844
Interest and fiscal charges	(2,399,878)
Acquisition of capital assets	(6,904,454)
Development fees	1,161,421
Net cash used in capital and related financial activities	(10,825,417)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	356,102
Net cash provided by investing activities	356,102
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,138,709)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,971,554
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 23,832,845

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 9 CON'T

CITY OF THE COLONY, TEXAS
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 2,480,709
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,798,444
Pension and OPEB expense	72,978
Provision for bad debts	(10,845)
Change in assets and liabilities:	
Increase in accounts receivable	(120,343)
Decrease in inventories	4,604
Decrease in prepaid expenses	50,368
Increase in accounts payable and accrued liabilities	596,265
Increase in compensated absences	21,385
Increase in customer deposits	2,082
Total adjustments	5,414,938
Net cash provided by operating activities	$ 7,895,647
NON-CASH FINANCING ACTIVITIES:	
Contributions for debt service allocation	$ 3,962,610
Contributions of capital assets	2,154,295
Total non-cash financing activities	$ 6,116,905

The Notes to the Financial Statements are an integral part of this statement.

THE
COLONY
City by the Lake

COMPONENT UNITS
FINANCIAL STATEMENTS

THE
COLONY
City by the Lake

EXHIBIT 10

CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	THE COLONY ECONOMIC DEVELOPMENT CORPORATION	THE COLONY COMMUNITY DEVELOPMENT CORPORATION	THE COLONY LOCAL DEVELOPMENT CORPORATION	TOTALS
ASSETS				
Cash and cash equivalents	$ 6,524,886	$ 2,238,638	$ -	$ 8,763,524
Sales tax receivable	1,058,935	1,058,935	-	2,117,870
Prepaids			3,856,438	3,856,438
Restricted assets				
Cash and cash equivalents	6,356,157	6,359,369	12,792,113	25,507,639
Capital assets				
Land	8,095,952	-	22,321,911	30,417,863
TOTAL ASSETS	22,035,930	9,656,942	38,970,462	70,663,334
LIABILITIES AND NET POSITION				
Accounts payable	664,009	571,279	-	1,235,288
Accrued interest payable	1,054,172	1,062,665	3,769,538	5,886,375
Non-current liabilities:				
Due within one year	707,012	240,000	160,000	1,107,012
Due in more than one year	33,608,842	27,263,843	142,044,961	202,917,646
TOTAL LIABILITIES	36,034,035	29,137,787	145,974,499	211,146,321
NET POSITION (DEFICIT)				
Net investment in capital assets	(25,490,485)	(18,721,465)	(109,358,531)	(153,570,481)
Unrestricted	11,492,380	(759,380)	2,354,494	13,087,494
TOTAL NET POSITION (DEFICIT)	$ (13,998,105)	$ (19,480,845)	$ (107,004,037)	$ (140,482,987)

The Notes to the Financial Statements are an integral part of this statement.

CITY OF THE COLONY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS:				
The Colony Economic Development Corporation	$ 5,411,948	$ -	$ -	$ 1,680,655
The Colony Community Development Corporation	7,488,072	-	-	-
The Colony Local Development Corporation	10,285,651	-	3,164,414	-
TOTAL COMPONENT UNITS	$ 23,185,671	$ -	$ 3,164,414	$ 1,680,655

General revenues:
Taxes:
Sales taxes
Interest on investments
Miscellaneous

Total general revenue

CHANGE IN NET POSITION (DEFICIT)

NET POSITION (DEFICIT), Beginning of Year

NET POSITION (DEFICIT), End of Year

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 11

Net (Expense) Revenue and Changes in Net Position			
COMPONENT UNITS			
The Colony Econ. Dev. Corporation	The Colony Comm. Dev. Corporation	The Colony Local Dev. Corporation	TOTAL
$ (3,731,293)	$ -	$ -	$ (3,731,293)
-	(7,488,072)	-	(7,488,072)
-	-	(7,121,237)	(7,121,237)
$ (3,731,293)	$ (7,488,072)	$ (7,121,237)	$ (18,340,602)
$ 6,147,000	$ 6,147,000	$ 5,563,689	$ 17,857,689
120,218	120,458	64,501	305,177
-	500	75,000	75,500
6,267,218	6,267,958	5,703,190	18,238,366
2,535,925	(1,220,114)	(1,418,047)	(102,236)
(16,534,030)	(18,260,731)	(105,585,990)	(140,380,751)
$ (13,998,105)	$ (19,480,845)	$ (107,004,037)	$ (140,482,987)

THE
COLONY
City by the Lake

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of The Colony (the City), originally incorporated in 1977, is a municipal corporation incorporated under Article XI of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The financial information of the following component units have been “discretely presented” in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City:

The Colony Economic Development Corporation (TCEDC) - Organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC) - Responsible for promoting economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing and financing projects under the Development Corporation Act of 1979. This includes the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

The Colony Local Development Corporation (TCLDC) – Established as the primary governing body for funding Tax Increment Reinvestment Zone (TIRZ) Number One public infrastructure. Surrounding these activities are performance agreements between the TCLDC and the developer, NMF Services, which commenced November 2011 and will terminate on the 75th anniversary of the date in which the City collects its first sales tax dollar from the respective facility.

A majority of the members of the TCEDC's, TCCDC's, and TCLDC's Boards of Directors are appointed by the City Council. The TCEDC, TCCDC, and TCLDC are each fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component units' services directly benefit the community rather than the City itself. The TCEDC, TCCDC, and TCLDC are presented as governmental fund types and do not issue separate financial statements.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column in the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund –

The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund –

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts that are exclusively for debt service expenditures.

Capital Projects Fund –

The Capital Projects Fund is used to account for the acquisition and construction of capital assets financed primarily through the issuance of general obligation debt.

The City also reports the following non-major governmental funds:

All of the following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted or committed to expenditures for specific purposes.

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds granted to the police department that have been awarded by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Child Safety Fund – The account for child safety fees collected according to state statute to fund the school crossing guard program and for other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenses associated with drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Keep The Colony Beautiful – To account for revenue and expenditures associated with the City-supported community volunteer program designed to help property owners who can't maintain their properties due to financial or physical limitations.

Citizens Donation Fund – To account for money received from the $1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

Public Improvement District (PID) No. 1 – To account for revenues and expenditures related to the City of The Colony Public Improvement District No.1.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow.

All assets and liabilities are included in the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Enterprise Fund

Water and Sewer Enterprise Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash and Cash Equivalents

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of such U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

Restricted cash and investments is classified separately in the balance sheet of governmental funds and statement of net position for proprietary funds and represents cash and cash equivalents restricted for specific infrastructure projects (governmental funds) or the payment of long-term debt and for the acquisition of capital assets (proprietary funds).

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand.

Investments are accounted for in accordance with GASB No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Property taxes attach as an enforceable lien on property as of January 1 after they are levied. The assessed value upon which the fiscal year 2018 levy was based was $3,885,676,935. Taxes are due on October 1 and are delinquent after the following January 31. Current tax collections for the year ended September 30, 2018 were 99.44% of the tax levy.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes – Continued

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2018 was $0.665 per $100 of assessed valuation.

The ordinance levying the ad valorem taxes specifies the percentage of the taxes applicable to the General Fund, and Debt Service Fund therefore, ad valorem tax revenues are recorded as revenues in the respective funds.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Budgets

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund, and Storm Water Utility Fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

For the year ended September 30, 2018, expenditures exceeded appropriations as follows:

- General fund
    - General administration ($28,334)
    - Human resources ($7,191)
    - Information technology ($24,614)
    - Non-departmental ($855,671)
    - Fleet services ($54,350)
    - Police ($183,167)
- Debt Service Fund
    - Debt service ($980,076)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgets - Continued

- Lake Parks
  - Culture and recreation ($2,511)
  - Capital outlay ($281,481)
- Special Events
  - Culture and recreation ($39,953)
- Hotel/Motel
  - Culture and recreation ($307,896)

Internal Balances

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions Between Funds and Component Units

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services and reimbursements, are recorded as transfers.

Transactions between the component units and the primary government are accounted for as external transactions. During the year ended September 30, 2018, the TCCDC contributed $1,025,712 to the General Fund and $3,078,000 to the Capital Projects Fund. Additionally, the TCEDC contributed $306,846 to the Water and Sewer Enterprise Fund and $448,080 to the General Fund.

Inventories

Inventories, which are expended when consumed, are stated at cost on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 Years
Towers, tanks, and pump stations	40 Years
Infrastructure	40 Years
Machinery and equipment	5 - 10 Years
Vehicles	5 Year

Vacation and Sick Leave (Compensated Absences)

In the event of termination, an employee is reimbursed for up to his/her accrued available vacation days. An employee may accumulate up to 130 days of sick leave; however, upon termination, qualified employees may be reimbursed for up to a maximum of 30 sick days. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, City-specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting as deferred outflows:

Deferred Loss on Refunding – these deferred outflows result from the difference in

the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions/ OPEB – these deferred outflows result from pension/OPEB contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences between expected and actual economic experience.

Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City reports certain deferred inflows related to pensions and OPEB on the government-wide statement of position and unavailable tax revenues at the fund level.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on City Council direction.

Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purpose for which amounts in any of those unrestricted fund balance classifications could be used. The propriety funds and government-wide financial statements have three classifications of equity: (1) net investment in capital assets; (2) restricted net position and (3) unrestricted net position. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net position includes debt service, grantor and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncement

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement became effective for the City in fiscal year 2018. See Note 9 regarding the cumulative effect of implementing this statement.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2018 through March 28, 2019, the date the financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

The funds of the City must be deposited and invested per the Public Funds Investment Act. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2018 the carrying amount of the City's deposits was $3,077,813 and the bank balance was $4,374,401. All of the bank balances were fully covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City had petty cash totaling $4,875 at September 30, 2018.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Legal and Contractual Provisions Governing Deposits and Investments – Continued

maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities	5 Years	100%	None
State of Texas	5 Years	25%	None
States, Agencies, Counties, Cities and Other	5 Years	25%	None
Repurchase Agreements	90 Days	100%	None
Certificates of Deposits	5 Years	25%	None
Commercial Paper	270 Days	25%	None
No-Load Money Market Mutual Funds	90 Days	25%	None
Eligible Investment Pools	90 Days	100%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – primary government	$ 61,882,597
Restricted cash and cash equivalents – primary government	3,116,854
Cash and cash equivalents – component units	8,763,524
Restricted cash and cash equivalents – component units	25,507,639
	$ 99,270,614

Cash and investments as of September 30, 2018 consist of the following:

Cash on hand	$ 4,875
Deposits with financial institutions	3,077,813
Investment pools	96,187,926
	$ 99,270,614

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2018 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
TexPool	$ 52,127,996	N/A	AAAm
TexPool Prime	17,904,829	N/A	AAAm
Money Market Mutual Funds	26,155,101	N/A	AAAm
	$ 96,187,926		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2018 other than external investment pools the City did not have 5% or more of its investment with one issuer.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2018 the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized during the year.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments are as follows:

		Fair Value Measurements Using				
	Value at September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments not Subject to Fair Value:						
Investment Pools:						
TexPool	$ 52,127,996	$ -	$ -	$ -	54.19%	28
TexPool Prime	17,904,829	-			18.61%	37
Investments by Fair Value Level:						
Money Market Mutual Funds	26,155,101	26,155,101	-	-	27.20%	35
Total Value	$ 96,187,926	$ 26,155,101	$ -	$ -	100.00%	

Money Market Mutual funds reported as Level 1 consist of shares of a money market funds government portfolio and are valued at net asset value (NAV) of the assets held by the City. The NAV is a quoted price in an active market.

Investment in State Investment Pools

The City is a voluntary participant in two investment pools: TexPool and TexPool Prime. Each of these pools operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Each uses amortized costs rather than market value to report the net position to compute share prices. Accordingly, the value of the City's position in the pools is the same as the value of the shares in the pool.

The State Comptroller of Public Accounts exercises responsibility over TexPool and TexPool Prime. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool.

NOTE 3. RECEIVABLES

Receivables at September 30, 2018 for the individual major funds, nonmajor funds, and component units in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Governmental Activities					Business-type Activities	Discretely Presented Component Units
	General	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Activities	Water and Sewer Enterprise	
Receivables							
Property taxes	$ 245,103	$ 1,114	$ -	$ -	$ 246,217	$ 13,601	$ -
Franchise taxes	485,500	-	-	-	485,500	-	-
Sales taxes	2,117,869	-	-	-	2,117,869	-	2,117,870
Restricted sales tax	-	-	-	-	-	-	-
Service accounts	493,331	-	-	-	493,331	2,562,838	-
Interest	-	-	-	-	-	-	-
Other	2,556,137	-	389,619	263,880	3,209,636	-	-
Gross receivables	5,897,940	1,114	389,619	263,880	6,552,553	2,576,439	2,117,870
Allowance for uncollectibles	(338,669)	(316)	-	-	(338,985)	(250,296)	-
Net total receivables	$ 5,559,271	$ 798	$ 389,619	$ 263,880	$ 6,213,568	$ 2,326,143	$ 2,117,870

The Water and Sewer Fund service accounts receivable include unbilled charges for services rendered through September 30, 2018 in the amount of $1,223,068.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Governmental Activities:					
Capital assets not being depreciated					
Land and Land Improvements	$ 4,510,684	$ -	$ -	$ -	$ 4,510,684
Rights-of-way	25,571,036	-	-	-	25,571,036
Construction in progress	16,703,925	7,683,331	(8,524,975)	(6,716,013)	9,146,268
Total capital assets not being depreciated	46,785,645	7,683,331	(8,524,975)	(6,716,013)	39,227,988
Capital assets being depreciated					
Buildings	26,135,980	-	-	558,854	26,694,834
Improvements other than buildings	17,613,169	-	-	823,789	18,436,958
Swimming pool	1,752,705	-	-	-	1,752,705
Machinery and equipment	13,611,490	1,122,889	(697,536)	-	14,036,843
Infrastructure	254,675,404	4,842,679	-	5,333,370	264,851,453
Total capital assets being depreciated	313,788,748	5,965,568	(697,536)	6,716,013	325,772,793
Less: accumulated depreciation for:					
Buildings	(8,641,719)	(931,470)	-	-	(9,573,189)
Improvements other than buildings	(7,387,037)	(585,317)	-	-	(7,972,354)
Swimming pool	(946,562)	(62,945)	-	-	(1,009,507)
Machinery and equipment	(8,539,841)	(1,545,937)	582,732	-	(9,503,046)
Infrastructure	(97,410,703)	(5,630,165)	-	-	(103,040,868)
Total accumulated depreciation	(122,925,862)	(8,755,834)	582,732	-	(131,098,964)
Total capital assets being depreciated, net	190,862,886	(2,790,266)	(114,804)	6,716,013	194,673,829
Governmental activities capital assets, net	$ 237,648,531	$ 4,893,065	$ (8,639,779)	$ -	$ 233,901,817

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2017	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Business-Type Activities:					
Capital assets not being depreciated					
Land	$ 3,273,472	$ -	$ -	$ -	$ 3,273,472
Construction in progress	18,621,500	6,430,704	-	(2,595,107)	22,457,097
Total capital assets not being depreciated	21,894,972	6,430,704	-	(2,595,107)	25,730,569
Capital assets being depreciated:					
Building	724,161	-	-	-	724,161
Water System	83,579,222	1,305,481	-	2,520,829	87,405,532
Sanitary System	66,066,647	848,814	-	74,278	66,989,739
Drainage System	1,684,364	-	-	-	1,684,364
Machinery and Equipment	4,253,846	142,374	(127,904)	-	4,268,316
Infrastructure	16,615,671	331,376	-	-	16,947,047
Total capital assets being depreciated	172,923,911	2,628,045	(127,904)	2,595,107	178,019,159
Less: Accumulated depreciation for:					
Building	(543,887)	(13,734)	-	-	(557,621)
Water System	(19,867,456)	(2,245,381)	-	-	(22,112,837)
Sanitary System	(17,521,705)	(1,785,752)	-	-	(19,307,457)
Drainage System	(1,585,465)	(25,932)	-	-	(1,611,397)
Machinery and Equipment	(2,207,717)	(296,437)	127,904	-	(2,376,250)
Infrastructure	(7,657,329)	(431,208)	-	-	(8,088,537)
Total accumulated depreciation	(49,383,559)	(4,798,444)	127,904	-	(54,054,099)
Total capital assets being depreciated, net	123,540,352	(2,170,399)	-	2,595,107	123,965,060
Business-Type activities capital assets, net	$ 145,435,324	$ 4,260,305	$ -	$ -	$ 149,695,629

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2017	Capital Acquisitions	Sales or Other Dispositions	Balance September 30, 2018
Component Units:				
Capital assets not being depreciated				
Land	$ 30,365,618	$ 52,245	$ -	$ 30,417,863
Component Units capital assets, net	$ 30,365,618	$ 52,245	$ -	$ 30,417,863

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General government	$ 2,683,368
Public safety	950,364
Public works	4,541,151
Culture and recreation	580,951
Total depreciation expense-Governmental activities	$ 8,755,834
Business-type activities:	
Water and Sewer	$ 4,798,444
Total depreciation expense-Business-type activities	$ 4,798,444

There was no depreciation expense charged to the component units during the current year.

NOTE 5. LONG-TERM DEBT

At September 30, 2018, bonds payable consisted of the following individual issues:

Certificates of Obligation:	Governmental Activities	Business-type Activities	Component Units
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010, 2.50% to 4.00%, maturing in annual installments of $550,000 to $960,000 through 2030.	$ 6,937,500	$ 2,437,500	$ -
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010-A, 2.00% to 4.00%, maturing in annual installments of $125,000 to $175,000 through 2030.	1,464,950	300,050	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, 2.00% to 4.375%, maturing in annual installments of $155,000 to $675,000 through 2033.	1,685,000	-	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014, 3.00% to 6.00%, maturing in annual installments of $510,000 to $1,550,000 through 2035.	2,765,700	16,989,300	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015, 3.00% to 4.00%, maturing in annual installments of $470,000 to $690,000 through 2035.	-	9,855,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016, 3.00% to 4.00%, maturing in annual installments of $685,000 to $1,025,000 through 2037.	11,777,500	5,047,500	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018, 3.00% to 4.00%, maturing in annual installments of $555,000 to $850,000 through 2038.	12,726,000	1,414,000	-
	$ 37,356,650	$ 36,043,350	$ -
General Obligation Bonds:			
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of $170,000 to $510,000 through 2022.	$ 1,925,000	$ -	$ -
General Obligation Refunding Bonds, Series 2011, 2.00% to 4.00%, maturing in annual installments of $20,000 to $890,000 through 2022.	2,542,200	802,800	-
General Obligation Refunding Bonds, Series 2012, 2.00% to 3.00%, maturing in annual installments of $225,000 to $1,295,000 through 2023.	1,027,500	342,500	-
General Obligation Refunding Bonds, Series 2013, 3.00% to 5.00%, maturing in annual installments of $1,205,000 to $1,775,000 through 2024.	1,890,000	7,560,000	-
General Obligation Refunding Bonds, Series 2014, 2.00% to 5.00%, maturing in annual installments of $55,000 to $1,535,000 through 2026.	1,870,000	9,130,000	-
General Obligation Refunding Bonds, Series 2015, 3.00% to 4.00%, maturing in annual installments of $840,000 to $1,715,000 through 2027.	6,456,600	3,038,400	
	$ 15,711,300	$ 20,873,700	$ -

Revenue Bonds:	Governmental	Business-type	Component Unit
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of $ 195,000 to $2,770,000 through 2042.	$ -	$ -	$ 29,180,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of $ 195,000 to $2,770,000 through 2042.	-	-	29,180,000
Sales Tax Increment Contract Revenue Bonds, Series 2013 (Infrastructure Bonds), 5.00% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	15,875,000
Sales Tax Increment Contract Revenue Bonds, Series 2013 (Infrastructure Bonds), 2.594% to 4.881%, maturing in annual installments from October 1, 2020 through October 1, 2047.	-	-	106,850,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 5.00% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	19,515,000
Sales Tax Revenue Bonds, Series 2017 (Infrastructure Bonds), 3.520%, maturing in annual installments from October 1, 2018 through October 1, 2032.	-	-	6,725,000
	$ -	$ -	$ 207,325,000

NOTE 5. LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions, including current portion, of the City for the year ended September 30, 2018:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental Activities					
Certificates of obligation	$ 22,872,150	$ 15,912,000	$ (1,427,500)	$ 37,356,650	$ 2,095,250
General obligation bonds	16,580,250	2,101,650	(2,970,600)	15,711,300	2,723,000
Capital Lease	683,127	-	(87,530)	595,597	90,687
Unamortized bond premium	2,592,781	1,021,290	(353,260)	3,260,811	-
Net pension liability	10,789,863	-	(3,685,727)	7,104,136	-
Total OPEB liability	614,691	108,875	-	723,566	-
Compensated absences	2,837,743	2,747,095	(2,632,393)	2,952,445	2,952,445
Governmental activities Long-term debt	$ 56,970,605	$ 21,890,910	$ (11,157,010)	$ 67,704,505	$ 7,861,382
Business-Type Activities					
Certificates of obligation	$ 39,383,100	$ 1,414,000	$ (4,753,750)	$ 36,043,350	$ 1,715,000
General obligation bonds	24,154,095	-	(3,280,395)	20,873,700	2,822,000
Unamortized bond premium	4,434,849	40,725	(751,420)	3,724,154	-
Net pension liability	1,662,674	-	(537,194)	1,125,480	-
Total OPEB liability	89,591	15,868		105,459	-
Compensated absences	330,705	427,596	(406,211)	352,090	352,090
Business-type activities Long-term debt	$ 70,055,014	$ 1,898,189	$ (9,728,970)	$ 62,224,233	$ 4,889,090
Component Units					
General obligation bonds	$ 1,680,655	$ -	$ (1,680,655)	$ -	$ -
Revenue bonds	208,130,000	-	(805,000)	207,325,000	1,020,000
Unamortized bond premium	132,487	-	(132,487)	-	-
Unamortized bond discount	(3,523,568)	-	136,214	(3,387,354)	-
Compensated absences	83,623	55,987	(52,598)	87,012	87,012
Component units Long-term debt	$ 206,503,197	$ 55,987	$ (2,534,526)	$ 204,024,658	$ 1,107,012

The City intends to retire all of its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues from the Debt Service Fund as has been done in prior years. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Enterprise Fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities which are normally liquidated during the current year.

During fiscal year 2018, the City issued $14,140,000 of Certificates of Obligation Bonds, Series 2018, of which $12,726,000 went towards governmental activities and $1,414,000 went towards business-type activities. The Series 2018 proceeds are to be used for constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and water and sewer system. The debt was issued at a premium of $573,913 and will be amortized over the life of the bonds which mature in 2038.

During the fiscal year, bonds outstanding along with their premiums and bond refunding differences were reallocated from the City's business-type activities and component unit to governmental activities since bonds are paid by and used for governmental activities. The City reallocated debt of $5,287,650 to governmental activities from business-type activities ($3,606,995) and component units ($1,680,655). The City also reallocated the premiums to

NOTE 5. LONG-TERM DEBT – CONTINUED

governmental activities from business-type activities ($355,615) and component units ($132,487). Lastly, the City reallocated deferred refunding amounts from their component units ($67,428). The reallocation of total debt and premium ($3,962,610) from business-type activities was a transfer on the statement of activities. The reallocation of the net total debt, premium, and deferred refunding amount ($1,745,714) from the City's component unit debt was recorded as expense to general government on the statement of activities.

Nebraska Furniture Mart

During March 2012, the TCEDC, TCCDC and TCLDC individually entered into a pledge agreement where the consideration of future sales tax revenue from the tax increment reinvestment zone would be used to repay debt issued by the component units to provide funding for the Nebraska Furniture Mart Texas project. This pledge was effectively an incentive agreement to secure the development of Nebraska Furniture Mart, through NFM Services, within the City of The Colony.

TCEDC and TCCDC have each pledged a portion of their future sales tax revenues to repay $29,580,000 of sales tax revenue bond series 2013 that each corporation issued in February 2013 to finance the acquisition of land and cost of construction and infrastructure associated with the Nebraska Furniture Mart Texas project. Total principal and interest remaining on each issuance is approximately $70.4 million as of September 30, 2018. Interest and principal paid and incremental sales tax revenues were $2,311,843 and $2,781,844 respectively, for each corporation's 2013 bond series during the year ended September 30, 2018.

TCLDC has pledged a portion of its future sales tax revenues to repay $142,240,000 of sales tax incremental contract revenue bonds that the Corporation issued in February 2013 to finance the acquisition of land and cost of construction and infrastructure associated with the Nebraska Furniture Mart Texas project. Total principal and interest remaining on these bonds is approximately $293.3 million as of September 30, 2018. Interest paid and incremental sales tax revenues were $7,456,230 and $5,563,689, during the year ended September 30, 2018.

Description to Debt Indentures

Certificate of Obligation Bonds

The City issues certificate of obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due.

Revenue Bonds

The City issues revenue bonds to construct water and sewer system improvements. The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

NOTE 5. LONG-TERM DEBT – CONTINUED

Bond Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions at September 30, 2018.

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2018, are as follows:

Certificate of Obligation Bonds

Annual debt service requirements to maturity for certificate obligation bonds, including interest of $12,440,217 for governmental activities, and $12,353,707 for business-type activities are as follows:

	Governmental Activities		
Fiscal Year Ending September 30	Principal	Interest	Total
2019	$ 2,095,250	$ 1,413,108	$ 3,508,358
2020	2,194,100	1,327,759	3,521,859
2021	2,247,450	1,231,896	3,479,346
2022	2,345,600	1,140,578	3,486,178
2023	2,251,550	1,049,798	3,301,348
2024-2028	11,479,650	3,895,047	15,374,697
2029-2033	8,652,450	1,869,994	10,522,444
2034-2038	6,090,600	512,037	6,602,637
Total	$ 37,356,650	$ 12,440,217	$ 49,796,867

	Business-Type Activities		
Fiscal Year Ending September 30	Principal	Interest	Total
2019	$ 1,715,000	$ 1,373,754	$ 3,088,754
2020	1,800,900	1,294,653	3,095,553
2021	1,882,550	1,214,392	3,096,942
2022	1,959,400	1,133,382	3,092,782
2023	1,963,450	1,050,804	3,014,254
2024-2028	10,560,350	3,948,538	14,508,888
2029-2033	10,757,300	2,042,682	12,799,982
2034-2038	5,404,400	295,502	5,699,902
Total	$ 36,043,350	$ 12,353,707	$ 48,397,057

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

General Obligation Bonds

Annual debt service requirements to maturity for general obligation bonds, including interest of $2,132,120 for governmental activities, $3,313,605 for business-type activities are as follows:

Fiscal Year Ending September 30	Government Activities Principal	Interest	Total
2019	$ 2,723,000	$ 588,492	$ 3,311,492
2020	2,835,100	484,600	3,319,700
2021	2,541,150	368,159	2,909,309
2022	2,517,250	268,472	2,785,722
2023	1,388,650	164,386	1,553,036
2024-2028	3,706,150	258,011	3,964,161
Total	$ 15,711,300	$ 2,132,120	$ 17,843,420

Fiscal Year Ending September 30	Business-Type Activities Principal	Interest	Total
2019	$ 2,822,000	$ 844,783	$ 3,666,783
2020	3,002,750	714,075	3,716,825
2021	2,921,000	574,016	3,495,016
2022	2,952,750	467,453	3,420,203
2023	2,881,350	326,039	3,207,389
2024-2028	6,293,850	387,239	6,681,089
Total	$ 20,873,700	$ 3,313,605	$ 24,187,305

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Revenue Bonds

Revenue bond debt service requirements to maturity, including interest of $226,799,833 for component unit activities are as follows:

Fiscal Year Ending September 30	Component-Units		
	Principal	Interest	Total
2019	$ 1,020,000	$ 11,890,211	$ 12,910,211
2020	1,160,000	11,835,059	12,995,059
2021	2,680,000	11,770,842	14,450,842
2022	2,945,000	11,661,114	14,606,114
2023	3,235,000	11,533,878	14,768,878
2024-2028	21,180,000	55,046,468	76,226,468
2029-2033	31,415,000	48,380,281	79,795,281
2034-2038	44,010,000	37,807,060	81,817,060
2039-2043	64,930,000	21,586,356	86,516,356
2044-2048	34,750,000	5,288,564	40,038,564
Total	$ 207,325,000	$ 226,799,833	$ 434,124,833

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Capital Leases

During 2015, the City entered into a capital lease in the amount of $935,000. Proceeds from the lease were used to obtain equipment with an initial cost of $935,000 which has been recorded as capital assets. Future lease payments, including interest at 3.606%, are as follows:

Fiscal Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2019	$ 90,687	$ 21,478	$ 112,165
2020	93,957	18,208	112,165
2021	97,345	14,820	112,165
2022	100,855	11,309	112,164
2023	104,492	7,672	112,164
2024	108,261	3,904	112,165
Total	$ 595,597	$ 77,391	$ 672,988

Net Pension Liability/ OPEB liability

The general fund has typically been used to liquidate governmental activities' pension and OPEB liabilities.

NOTE 6. TRANSFERS AND INTERFUND RECEIVEABLES/PAYABLES

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund transfers for fiscal year 2018 were as follows:

Transfers Out	Transfers In	Amount	Purpose
Debt Service Fund	Capital Projects Fund	$ 13,064,545	Bond proceeds for capital projects
General Fund	Utility Fund	1,000,000	Utility Franchise fee
General Fund	Capital Projects Fund	99,597	Funding for capital projects
General Fund	Non-major Funds	140,000	Special operational costs
Non-major Funds	General Fund	70,000	Operational costs
Non-major Funds	Utility Fund	400,000	Operational costs
Non-major Funds	General Fund	35,000	Funding for capital projects
Non-major Funds	Non-major Funds	360,766	For public safety and hotel programs
Capital Projects Fund	Utility Fund	34,959	Funding for capital projects
	Total	$ 15,204,867	

NOTE 7. RETIREMENT PLAN

A. Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

NOTE 7. RETIREMENT PLAN – CONTINUED

B. Benefits Provided – Continued

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	175
Inactive employees entitled to but not yet receiving benefits	158
Active employees	327
	660

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City was 13.21% for both calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $2,998,434, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Actuarial Assumptions – Continued:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time(conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2016, the TMRS Board approved a new portfolio target allocation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Allocations

The City's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 83,341,381	$ 70,888,844	$ 12,452,537
Changes for the year:			
Service Cost	3,593,344	-	3,593,344
Interest	5,640,026	-	5,640,026
Change of benefit terms	-	-	-
Difference between expected and actual experience	653,253	-	653,253
Changes of assumptions	-	-	-
Contributions - employer	-	2,825,357	(2,825,357)
Contributions - employee	-	1,512,532	(1,512,532)
Net investment income	-	9,825,153	(9,825,153)
Benefit payments, including refunds of employee contributions	(3,164,226)	(3,164,226)	-
Administrative expense	-	(50,917)	50,917
Other changes	-	(2,581)	2,581
Net Changes	6,722,397	10,945,318	(4,222,921)
Balance at 12/31/17	$ 90,063,778	$ 81,834,162	$ 8,229,616

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	$ 21,357,086	$ 8,229,616	$ (2,537,647)

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $3,478,168. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,021,995	$ 251,392
Changes in actuarial assumptions	568,416	-
Difference between projected and actual investment earnings	-	2,076,302
Contributions subsequent to the measurement date	2,175,278	-
Total	$ 3,765,689	$ 2,327,694

The $2,175,278 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ending September 30, 2019. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2019	$ 488,831
2020	462,815
2021	(799,790)
2022	(889,139)
	$ (737,283)

NOTE 8. DEFERRED COMPENSATION PLAN

The City participates in a deferred compensation plan, which falls under Internal Revenue Code Section 457. Virtually all employees are eligible to participate in the plan. The deferred compensation plan allows the deferral of individual federal income taxes until funds are withdrawn. Funds may be withdrawn at termination, retirement, death or unforeseeable emergency. Employees may contribute a maximum of 100% of compensation included in gross income or $15,500 whichever is less.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. As a result, at September 30, 2018, the deferred compensation investments in the amount of $6,820,403 are not reported in the City's financial statements.

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500.

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – CONTINUED

C. Benefits Provided - continued

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	121
Inactive employees entitled to but not yet receiving benefits	39
Active employees	327
	487

D. Contributions

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City were 0.02% and 0.03% in calendar years 2017 and 2018. The City's contributions to the SDBF for the year ended September 30, 2018 were $6,186, and were equal to the required contributions.

E. Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – CONTINUED

F. Actuarial Assumptions

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retiree's share of benefit-related costs	0.00%

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.31% and was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2017.

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – CONTINUED

G. Changes in Total OPEB Liability

	Increase (Decrease Total Pension Liability (a)
Balance at 12/31/2016	$ 704,282
Changes for the year:	
Service Cost	32,411
Interest	27,153
Changes of assumptions	69,501
Benefit payments	(4,322)
Net Changes	124,743
Balance at 12/31/17	$ 829,025

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.31%) or 1 percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (6.75%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	$ 1,007,729	$ 829,025	$ 690,259

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $69,891. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 59,174	$ -
Contributions subsequent to the measurement date	4,940	-
Total	$ 64,114	$ -

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN - CONTINUED

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

The $4,940 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2019. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2019	$ 10,327
2020	10,327
2021	10,327
2022	10,327
2022	10,327
Thereafter	7,539
	$ 59,174

NOTE 10. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the City expects such amounts, if any, to be immaterial to the basic financial statements.

At September 30, 2018, certain claims and litigation against the City are pending with respect to matters arising in the normal course of the City's operations. City management is of the opinion that the settlement of these matters will not have a material adverse effect on the City's financial statements.

At September 30, 2018, the City had authorized construction contract commitments of $9,230,290.

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, the City purchased commercial insurance to cover these liabilities. Additionally, the City purchases commercial insurance to cover employee health benefits. There were no significant

reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three years.

NOTE 12. TAX ABATEMENTS

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes and may include other incentive payments such as fee reductions or construction costs reimbursements. Economic development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. The City had the following agreements for the fiscal year ending September 30, 2018.

- Per the Grandscape, William Sonoma, and Top Golf TIF agreement for commercial development of 433 undeveloped acres, 100% of the property tax collections from the TIRZ projects and 90% of sales tax collections from TIRZ businesses were to be abated. The City abated $1,414,542 in property taxes and $8,600,756 in sales taxes.

- There was an agreement for Tribute properties to develop a 1,200-acre residential and golf community within the City under which 62% of property taxes was agreed to be abated. The City abated $1,768,820 in property taxes.

NOTE 12. TAX ABATEMENTS – CONTINUED

- Per the Tribute TIF agreement to fund water storage tank and construction of fire station, and improve roadways, marina park and entertainment district, 70% of property taxes from development limited to total property taxes less the agreement stated above was agreed to be abated. The City abated $1,099,609 in property taxes.

NOTE 13. FUND BALANCE/NET POSITION

The composition of the City's governmental fund balances as of September 30, 2018 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	$ 79,032	$ -	$ -	$ -	$ 79,032
Prepaids	31,357	-	60	871	32,288
	110,389	-	60	871	111,320
Restricted for:					
Debt service	-	1,159,562	-	-	1,159,562
Tourism	-	-	-	1,306,383	1,306,383
Library	-	-	-	1,137	1,137
Police	-	-	-	27,092	27,092
Child Safety	-	-	-	37,761	37,761
Stormwater drainage	-	-	-	7,229	7,229
Court	-	-	-	278,507	278,507
PID No. 1	-	-	-	558,950	558,950
Social and community services	-	-	-	96,438	96,438
Capital projects	-	-	20,717,454	-	20,717,454
	-	1,159,562	20,717,454	2,313,497	24,190,513
Committed for:					
Parks	-	-	-	792,649	792,649
Capital projects	-	-	512,242	-	512,242
Special events	-	-	-	81,830	81,830
	-	-	512,242	874,479	1,386,721
Unassigned	14,396,285	-	-	-	14,396,285
Total	$ 14,506,674	$ 1,159,562	$ 21,229,756	$ 3,188,847	$ 40,084,839

Net position restricted for other reported for the governmental activities in the statement of net position is comprised of the same balance that is reported as restricted fund balance in the non-major governmental funds.

NOTE 14. SUBSEQUENT EVENTS

On January 5th, 2019, the City issued $18,710,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019. Proceeds from the sale of the Certificates will be used for (i) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (ii) constructing, improving and equipping City Hall and the City Hall annex, the community center and library, park and recreation, animal control, police and fire fighting facilities, (iii) acquiring vehicles and equipment for the public works, park and recreation, engineering, facilities maintenance and utility departments, (iv) constructing waterworks and sewer system improvements, (v) professional services rendered in connection therewith.

NOTE 15. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As a result of the implementation of GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, an adjustment has been made to record the City’s total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities has been decreased by $612,005, the beginning net position of the Business-type Activities / Enterprise Fund has been decreased by $89,200.

THE
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REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT A-1

CITY OF THE COLONY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS
LAST FOUR MEASUREMENT YEARS

	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
Total pension liability:				
Service cost	$ 3,593,344	$ 3,247,190	$ 3,038,645	$ 2,636,444
Interest	5,640,026	5,246,784	4,956,953	4,717,021
Difference between expected and actual experience	653,253	395,250	681,456	(1,078,676)
Change in assumptions	-	-	1,451,967	-
Benefit payments, including refunds of employee contributions	(3,164,226)	(3,308,765)	(3,324,791)	(2,771,781)
Net change in total pension liability	6,722,397	5,580,459	6,804,230	3,503,008
Total pension liability - beginning	83,341,381	77,760,922	70,956,692	67,453,684
Total pension liability - ending (a)	90,063,778	83,341,381	77,760,922	70,956,692
Plan fiduciary net position:				
Contributions - employer	2,825,357	2,343,572	2,336,643	2,051,029
Contributions - employee	1,512,532	1,360,283	1,309,761	1,179,152
Net investment income	9,825,153	4,466,472	96,983	3,534,120
Benefit payments, including refunds of employee contributions	(3,164,226)	(3,308,765)	(3,324,791)	(2,771,781)
Administrative expense	(50,917)	(50,436)	(59,070)	(36,893)
Other	(2,581)	(2,717)	(2,918)	(3,033)
Net change in plan fiduciary net position	10,945,318	4,808,409	356,608	3,952,594
Plan fiduciary net position - beginning	70,888,844	66,080,435	65,723,827	61,771,233
Plan fiduciary net position - ending (b)	81,834,162	70,888,844	66,080,435	65,723,827
Net pension liability - ending (a) - (b)	$ 8,229,616	$ 12,452,537	$ 11,680,487	$ 5,232,865
Plan fiduciary net position as a percentage of total pension liability	90.86%	85.06%	84.98%	92.63%
Covered payroll	$ 21,607,602	$ 19,432,616	$ 18,710,868	$ 16,838,560
Net pension liability as a percentage of covered payroll	38.09%	64.08%	62.43%	31.08%

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138, “The information for all period for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years’ information will be displayed as it becomes available.”

EXHIBIT A-2

CITY OF THE COLONY, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS - TMRS
LAST FOUR FISCAL YEARS

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	$ 2,998,437	$ 2,723,827	$ 2,399,108	$ 2,224,043
Contribution in relation of the actuarially determined contribution	2,998,437	2,723,827	2,399,108	2,224,043
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 22,698,203	$ 19,440,612	$19,236,056	$ 19,145,821
Contributions as a percentage of covered payroll	13.21%	14.01%	12.47%	11.62%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138, "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

EXHIBIT A-3

CITY OF THE COLONY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - TMRS
LAST MEASUREMENT YEAR

	Measurement Year 2017
Total OPEB liability:	
Service cost	$ 32,411
Interest	27,153
Change in assumptions	69,501
Benefit payments	(4,322)
Net change in total pension liability	124,743
Total OPEB liability - beginning	704,282
Total OPEB liability - ending (a)	$ 829,025
Covered payroll	$ 21,607,602
Total OPEB liability as a percentage of covered payroll	3.84%

Note: Only one year of data is presented in accordance with GASB #75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

EXHIBIT A-4

CITY OF THE COLONY, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS - TMRS
LAST MEASUREMENT YEAR

	Fiscal Year 2018
Actuarially determined contribution	$ 6,186
Contribution in relation of the actuarially determined contribution	6,186
Contribution deficiency (excess)	$ -
Covered payroll	$ 22,698,203
Contributions as a percentage of covered payroll	0.03%

Note: Only one year of data is presented in accordance with GASB #75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

CITY OF THE COLONY, TEXAS
NOTES TO TMRS REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018

VALUATION DATE:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

METHODS AND ASSUMPTIONS USED TO DETERMINE PENSION CONTRIBUTION RATES:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

OPEB Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

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EXHIBIT A-5

CITY OF THE COLONY, TEXAS
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Ad valorem taxes, penalties and interest	$ 20,867,240	$ 20,867,240	$ 21,719,401	$ 852,161
Franchise taxes	3,000,000	3,000,000	2,705,950	(294,050)
Municipal sales tax	6,834,350	6,834,350	7,100,104	265,754
Licenses and permits	2,658,800	2,658,800	2,283,458	(375,342)
Charge for services	1,342,600	1,342,600	1,689,129	346,529
Fines and forfeitures	728,000	728,000	934,195	206,195
Grants	127,000	127,000	49,054	(77,946)
Gifts and Contributions	1,473,792	1,473,792	1,473,792	-
Investment income	57,000	57,000	439,142	382,142
Miscellaneous	536,500	536,500	730,955	194,455
Total revenues	37,625,282	37,625,282	39,125,180	1,499,898
EXPENDITURES				
Current:				
General government:				
Community image	536,924	638,624	555,009	83,615
General administration	1,061,381	1,063,300	1,091,634	(28,334)
City secretary	337,692	337,692	328,343	9,349
City council	155,992	155,992	134,937	21,055
Human resources	407,401	410,819	418,010	(7,191)
Finance	1,063,080	1,063,080	1,016,548	46,532
Information technology	857,134	857,134	881,748	(24,614)
Nondepartmental	5,772,912	5,772,912	6,628,583	(855,671)
Fleet services	733,505	778,505	832,855	(54,350)
Public safety:				
Municipal court	424,909	427,320	381,096	46,224
Fire	8,066,853	8,128,875	8,043,059	85,816
Police	9,820,012	9,827,006	10,010,173	(183,167)
Public works:				
Engineering	1,741,277	1,823,777	1,738,352	85,425
Facilities maintenance	1,546,498	1,722,498	1,567,460	155,038
Culture and recreation:				
Parks and recreation	2,335,786	2,336,786	2,306,323	30,463
Aquatic park	561,571	561,571	464,823	96,748
Library	1,160,044	1,160,044	1,108,771	51,273
Community center	168,643	168,643	160,192	8,451
Total expenditures	36,751,614	37,234,578	37,667,916	(433,338)
Excess of revenues Over expenditures	873,668	390,704	1,457,264	1,066,560
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,558,792	105,000	105,000	-
Transfers to other funds	(1,130,000)	(1,130,000)	(1,239,597)	(109,597)
Total other financing sources (uses)	428,792	(1,025,000)	(1,134,597)	(109,597)
NET CHANGE IN FUND BALANCE	1,302,460	(634,296)	322,667	956,963
FUND BALANCES, BEGINNING OF YEAR	14,184,007	14,184,007	14,184,007	-
FUND BALANCES, END OF YEAR	$ 15,486,467	$ 13,549,711	$ 14,506,674	$ 956,963

CITY OF THE COLONY, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2018

BUDGETARY INFORMATION

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Prior to July 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. The proposed budget is filed with the City Secretary not less than 30 days prior to the time the City Council approves the tax levy for the fiscal year commencing the following October 1. Public hearings are conducted to obtain taxpayers' comments.

3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.

4. The City Manager has authority to transfer appropriation balances from one expenditure account to another within a single department of the City. Only the City Council may transfer any unencumbered appropriation balance or portion thereof from one department to another. Appropriations lapse at the end of the fiscal year.

An annual budget is legally adopted for the General Fund using accounting principles generally accepted in the United States of America in all material respects.

THE
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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

THE
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DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bonds and interest from governmental resources.

EXHIBIT B-1

CITY OF THE COLONY, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Ad valorem tax	$ 5,587,538	$ 5,587,538	$ 6,353,986	$ 766,448
Gifts and contributions	1,036,762	-	-	-
Investment income	2,000	2,000	202,653	200,653
Grants	129,600	-	-	-
Total revenues	6,755,900	5,589,538	6,556,639	967,101
EXPENDITURES				
Debt service:				
Principal retirement	4,047,800	4,047,800	4,485,630	(437,830)
Interest and fiscal charges	1,502,737	1,502,737	2,044,983	(542,246)
Other debt service costs	-	194,643	194,643	-
Total expenditures	5,550,537	5,745,180	6,725,256	(980,076)
Excess (deficiency) of revenues over (under) expenditures	1,205,363	(155,642)	(168,617)	(12,975)
OTHER FINANCING USES				
Premiums from issuance of bonds	-	533,188	533,188	-
Issuance of bonds	-	12,726,000	12,726,000	-
Transfer to other funds	(1,850,538)	(14,915,083)	(13,064,545)	1,850,538
Total other financing uses	(1,850,538)	(1,655,895)	194,643	1,850,538
NET CHANGE IN FUND BALANCES	(645,175)	(1,811,537)	26,026	1,837,563
FUND BALANCE, BEGINNING OF YEAR	1,133,536	1,133,536	1,133,536	-
FUND BALANCE, END OF YEAR	$ 488,361	$ (678,001)	$ 1,159,562	$ 1,837,563

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specific purposes.

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display, and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds granted to the police department that have been awarded by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Child Safety Fund – To account for child safety fees collected according to state statute to fund the school crossing guard program and other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenses associated with the drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Keep The Colony Beautiful – To account for revenue and expenditures associated with the City-supported community volunteer program designed to help property owners who can't maintain their properties due to financial or physical limitations.

Citizens Donations Fund – To account for money received from the $1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

Public Improvement District (PID) No.1 – To account for revenues and expenditures related to the City of The Colony Public Improvement District No. 1.

CITY OF THE COLONY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2018

	SPECIAL REVENUE					
	LAKE PARKS	SPECIAL EVENTS	HOTEL/ MOTEL TAXES	LIBRARY GRANTS	POLICE FORFEITED FUND	FEDERAL SEIZED FUND
ASSETS						
Cash and cash equivalents	$ 839,583	$ 94,447	$ 1,113,383	$ 1,137	$ 15,222	$ 8,536
Accounts receivable	-	-	211,805	-	3,334	-
Prepaids	-	871	-	-	-	-
TOTAL ASSETS	$ 839,583	$ 95,318	$ 1,325,188	$ 1,137	$ 18,556	$ 8,536
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	$ 46,934	$ 12,617	$ 18,805	$ -	$ -	$ -
TOTAL LIABILITIES	46,934	12,617	18,805	-	-	-
FUND BALANCES						
Non spendable	-	871	-	-	-	-
Restricted	-	-	1,306,383	1,137	18,556	8,536
Committed	792,649	81,830	-	-	-	-
TOTAL FUND BALANCES	792,649	82,701	1,306,383	1,137	18,556	8,536
TOTAL LIABILITIES AND FUND BALANCES	$ 839,583	$ 95,318	$ 1,325,188	$ 1,137	$ 18,556	$ 8,536

EXHIBIT C-1

SPECIAL REVENUE								
POLICE SEIZED FUND	CHILD SAFETY FUND	STORM WATER UTILITY	COURT SECURITY	COURT TECHNOLOGY	KEEP THE COLONY BEAUTIFUL	CITIZENS DONATIONS	PID No. 1	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
$ -	$ -	$ 21,732	$ 246,351	$ 33,643	$ 88,160	$ 8,959	$ 654,849	$ 3,126,002
-	48,741	-	-	-	-	-	-	263,880
-	-	-	-	-	-	-		871
$ -	$ 48,741	$ 21,732	$ 246,351	$ 33,643	$ 88,160	$ 8,959	$ 654,849	$ 3,390,753
$ -	$ 10,980	$ 14,503	$ 1,449	$ 38	$ 681	$ -	$ 95,899	$ 201,906
-	10,980	14,503	1,449	38	681	-	95,899	201,906
-	-	-	-	-	-	-	-	871
-	37,761	7,229	244,902	33,605	87,479	8,959	558,950	2,313,497
-	-	-	-	-	-	-	-	874,479
-	37,761	7,229	244,902	33,605	87,479	8,959	558,950	3,188,847
$ -	$ 48,741	$ 21,732	$ 246,351	$ 33,643	$ 88,160	$ 8,959	$ 654,849	$ 3,390,753

CITY OF THE COLONY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	SPECIAL REVENUE					
	LAKE PARKS	SPECIAL EVENTS	HOTEL/ MOTEL TAXES	LIBRARY GRANTS	POLICE FORFEITED FUND	FEDERAL SEIZED FUND
REVENUES						
Licenses and permits	$ 273,097	$ -	$ -	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	9,500	2,500
Charges for services	-	-	-	-	-	-
Hotel / motel taxes	-	-	1,525,722	-	-	-
Gifts and contributions	108,309	-	-	-	-	-
Grants	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Miscellaneous	5,012	84,342	-	-	23,229	-
Total revenues	386,418	84,342	1,525,722	-	32,729	2,500
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Culture and recreation	106,286	486,330	761,453	-	-	-
Public works	-	-	-	-	-	-
Public safety	-	-	-	-	49,591	-
Capital outlay	381,481	-	-	-	27,105	-
Total expenditures	487,767	486,330	761,453	-	76,696	-
Excess (deficiency) of revenues over (under) expenditures	(101,349)	(401,988)	764,269	-	(43,967)	2,500
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	390,000	90,000	-	10,766	-
Transfers to other funds	(35,000)	-	(350,000)	-	-	-
Total other financing sources (uses)	(35,000)	390,000	(260,000)	-	10,766	-
NET CHANGE IN FUND BALANCES	(136,349)	(11,988)	504,269	-	(33,201)	2,500
FUND BALANCES, BEGINNING OF YEAR	928,998	94,689	802,114	1,137	51,757	6,036
FUND BALANCES, END OF YEAR	$ 792,649	$ 82,701	$ 1,306,383	$ 1,137	$ 18,556	$ 8,536

EXHIBIT C-2

	SPECIAL REVENUE								
POLICE SEIZED FUND	CHILD SAFETY FUND	STORM WATER UTILITY	COURT SECURITY	COURT TECHNOLOGY	KEEP THE COLONY BEAUTIFUL	CITIZENS DONATIONS	PID No. 1	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
$ -	$ -	626,961	$ -	$ -	$ -	$ -	$ -	$ 900,058
3,574	-	-	12,625	22,350	-	-	-	50,549
-	-	-	-	-	-	-	1,556,455	1,556,455
-	-	-	-	-	-	-	-	1,525,722
-	-	-	-	-	348	651	-	109,308
-	53,500	-	-	-	-	-	-	53,500
-	-	-	-	-	-	-	81,604	81,604
-	-	-	-	-	-	-	-	112,583
3,574	53,500	626,961	12,625	22,350	348	651	1,638,059	4,389,779
-	-	-	-	-	-	-	1,250,276	1,250,276
-	-	-	-	-	-	-	-	1,354,069
-	-	316,940	-	-	7,663	-	-	324,603
-	33,859	-	-	20,583	-	-	-	104,033
-	-	-	60,093	-	-	-	42,024	510,703
-	33,859	316,940	60,093	20,583	7,663	-	1,292,300	3,543,684
3,574	19,641	310,021	(47,468)	1,767	(7,315)	651	345,759	846,095
-	-	-	-	-	10,000	-	-	500,766
(10,766)	(20,000)	(450,000)	-	-	-	-	-	(865,766)
(10,766)	(20,000)	(450,000)	-	-	10,000	-	-	(365,000)
(7,192)	(359)	(139,979)	(47,468)	1,767	2,685	651	345,759	481,095
7,192	38,120	147,208	292,370	31,838	84,794	8,308	213,191	2,707,752
$ -	$ 37,761	$ 7,229	$ 244,902	$ 33,605	$ 87,479	$ 8,959	$ 558,950	$ 3,188,847

EXHIBIT C-3

CITY OF THE COLONY
LAKE PARKS SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Fees and permits	$ 211,000	$ 211,000	$ 273,097	$ 62,097
Development contributions	62,000	62,000	108,309	46,309
Miscellaneous	-	-	5,012	5,012
Total revenues	273,000	273,000	386,418	113,418
EXPENDITURES				
Culture and recreation	103,775	103,775	106,286	(2,511)
Capital outlay	100,000	100,000	381,481	(281,481)
Total expenditures	203,775	203,775	487,767	(283,992)
Excess (deficiency) of revenues over (under) expenditures	69,225	69,225	(101,349)	(170,574)
OTHER FINANCING USES				
Transfers to other funds	(35,000)	(35,000)	(35,000)	-
Total other financing uses	(35,000)	(35,000)	(35,000)	-
NET CHANGE IN FUND BALANCES	34,225	34,225	(136,349)	(170,574)
FUND BALANCE, BEGINNING OF YEAR	928,998	928,998	928,998	-
FUND BALANCE, END OF YEAR	$ 963,223	$ 963,223	$ 792,649	$ (170,574)

EXHIBIT C-4

CITY OF THE COLONY
SPECIAL EVENTS SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Gifts and contributions	$ 11,000	$ -	$ -	$ -
Miscellaneous	50,000	61,000	84,342	23,342
Total revenues	61,000	61,000	84,342	23,342
EXPENDITURES				
Culture and recreation	446,377	446,377	486,330	(39,953)
Total expenditures	446,377	446,377	486,330	(39,953)
Deficiency of revenues under expenditures	(385,377)	(385,377)	(401,988)	(16,611)
OTHER FINANCING SOURCES				
Transfers from other funds	390,000	390,000	390,000	-
Total other financing sources	390,000	390,000	390,000	-
NET CHANGE IN FUND BALANCES	4,623	4,623	(11,988)	(16,611)
FUND BALANCE, BEGINNING OF YEAR	94,689	94,689	94,689	-
FUND BALANCE, END OF YEAR	$ 99,312	$ 99,312	$ 82,701	$ (16,611)

EXHIBIT C-5

CITY OF THE COLONY
HOTEL/MOTEL TAXES SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Hotel / motel taxes	$ 900,000	$ 900,000	$ 1,525,722	$ 625,722
Total revenues	900,000	900,000	1,525,722	625,722
EXPENDITURES				
Culture and recreation	453,557	453,557	761,453	(307,896)
Total expenditures	453,557	453,557	761,453	(307,896)
Excess of revenues over expenditures	446,443	446,443	764,269	317,826
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	90,000	90,000	90,000	-
Transfers to other funds	(350,000)	(350,000)	(350,000)	-
Total other financing sources (uses)	(260,000)	(260,000)	(260,000)	-
NET CHANGE IN FUND BALANCES	186,443	186,443	504,269	317,826
FUND BALANCE, BEGINNING OF YEAR	802,114	802,114	802,114	-
FUND BALANCE, END OF YEAR	$ 988,557	$ 988,557	$ 1,306,383	$ 317,826

EXHIBIT C-6

CITY OF THE COLONY
CHILD SAFETY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Grants	$ 50,000	$ 50,000	$ 53,500	$ 3,500
Total revenues	50,000	50,000	53,500	3,500
EXPENDITURES				
Public safety	44,701	44,701	33,859	10,842
Total expenditures	44,701	44,701	33,859	10,842
Excess of revenues over expenditures	5,299	5,299	19,641	14,342
OTHER FINANCING USES				
Transfers to other funds	(20,000)	(20,000)	(20,000)	-
Total other financing uses	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCES	(14,701)	(14,701)	(359)	14,342
FUND BALANCE, BEGINNING OF YEAR	38,120	38,120	38,120	-
FUND BALANCE, END OF YEAR	$ 23,419	$ 23,419	$ 37,761	$ 14,342

EXHIBIT C-7

CITY OF THE COLONY
STORM WATER UTILITY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Fees and permits	$ 500,000	$ 500,000	$ 626,961	$ 126,961
Total revenues	500,000	500,000	626,961	126,961
EXPENDITURES				
Public works	-	403,219	316,940	86,279
Total expenditures	-	403,219	316,940	86,279
Excess of revenues over expenditures	500,000	96,781	310,021	213,240
OTHER FINANCING USES				
Transfers to other funds	(400,000)	(450,000)	(450,000)	-
Total other financing uses	(400,000)	(450,000)	(450,000)	-
NET CHANGE IN FUND BALANCES	100,000	(353,219)	(139,979)	213,240
FUND BALANCE, BEGINNING OF YEAR	147,208	147,208	147,208	-
FUND BALANCE, END OF YEAR	$ 247,208	$ (206,011)	$ 7,229	$ 213,240

DISCRETELY PRESENTED COMPONENT UNITS

The Colony Economic Development Corporation (TCEDC) – TCEDC is a legally separate entity from the City and was organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC) – TCCDC is a legally separate entity from the City and was organized for the purpose of the promotion of economic development by developing, implementing, and financing projects under the Development Corporation Act of 1979.

The Colony Local Development Corporation (TCLDC) – The TCLDC is a legally separate entity from the City and was organized exclusively for the purpose of serving as the primary governing body for the funding of the Tax Increment Reinvestment Zone Number One public infrastructure between the City and NFM Services.

EXHIBIT F-1

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2018

ASSETS		
Cash and cash equivalents	$	6,524,886
Sales tax receivable		1,058,935
Restricted assets:		
Cash and cash equivalents		6,356,157
Total assets	$	13,939,978
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$	664,009
Total liabilities		664,009
FUND BALANCES		
Restricted for:		
Construction		642,405
Unassigned		12,633,564
Total fund balance		13,275,969
Total liabilities and fund balances	$	13,939,978

EXHIBIT F-2

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds	$	13,275,969
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		8,095,952
Interest payable on long term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(1,054,172)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
Bonds payable		(35,905,000)
Compensated absences		(87,012)
Discount on issuance of debt		1,676,158
Net position of governmental activities	$	(13,998,105)

EXHIBIT F-3

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES		
Municipal sales tax	$	6,147,000
Investment income		120,218
Total revenues		6,267,218
EXPENDITURES		
Current:		
Economic development		2,310,137
Capital outlay		52,245
Debt service:		
Principal retirement		600,000
Interest and fiscal charges		2,322,668
Total expenditures		5,285,050
NET CHANGE IN FUND BALANCES		982,168
FUND BALANCES, BEGINNING OF YEAR		12,293,801
FUND BALANCES, END OF YEAR	$	13,275,969

EXHIBIT F-4

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	$	982,168
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.		52,245
Current year amortization of the costs of premiums, $132,487, discounts, ($67,045), and deferred losses on refundings ($67,428) does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds. This is the net effect of these amounts.		(1,986)
Current year changes in accrued compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		(3,389)
Reallocation of debt to the governmental activities does not involve current financial resources and, therefore is not recorded in the governmental funds. However, in the government-wide financial statements, the transaction increases net position.		1,680,655
Current year principal payments on long-term debt are recorded as expenditures in the fund financial statements, but are reflected as reductions of the liability for long-term debt in the government-wide financial statements.		600,000
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(773,768)
Change in Net Position of Governmental activities	$	2,535,925

EXHIBIT F-5

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2018

ASSETS		
Cash and cash equivalents	$	2,238,638
Sales tax receivable		1,058,935
Restricted assets:		
Cash and cash equivalents		6,359,369
Total assets	$	9,656,942
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	571,279
Total liabilities		571,279
FUND BALANCE		
Restricted for:		
Construction		8,782,378
Unassigned		303,285
Total fund balance		9,085,663
Total liabilities and fund balance	$	9,656,942

EXHIBIT F-6

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds	$	9,085,663
Amounts reported for governmental activities in the statement of net position are different because:		
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(1,062,665)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:		
Bonds payable		(29,180,000)
Discount on issuance of debt		1,676,157
Net position of governmental activities	$	(19,480,845)

EXHIBIT F-7

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES		
Municipal sales tax	$	6,147,000
Investment income		120,458
Miscellaneous		500
Total revenues		6,267,958
EXPENDITURES		
Current:		
Economic development		4,521,348
Debt service:		
Principal retirement		205,000
Interest and fiscal charges		2,106,843
Total expenditures		6,833,191
Deficiency of revenues under expenditures		(565,233)
FUND BALANCE, BEGINNING OF YEAR		9,650,896
FUND BALANCE, END OF YEAR	$	9,085,663

EXHIBIT F-8

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	$	(565,233)
Amounts reported for governmental activities in the statement of activities are different because:		
Current year principal payments on long-term debt are recorded as expenditures in the fund financial statements, but are reflected as reductions of the liability for long-term debt in the government-wide financial statements.		205,000
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		(67,046)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		(792,835)
Change in Net Position of Governmental activities	$	(1,220,114)

EXHIBIT F-9

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2018

ASSETS		
Restricted cash and cash equivalents	$	12,792,113
Total assets	$	12,792,113
FUND BALANCE		
Restricted for:		
Construction	$	10,524,519
Unrestricted		2,267,594
Total fund balance		12,792,113
Total liabilities and fund balance	$	12,792,113

EXHIBIT F-10

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
RECONCILITATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balance - governmental fund	$ 12,792,113
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	22,321,911
Interest payable on long term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(3,769,538)
Prepaid insurance costs associated with the issuance of bonds are recorded as expenditures at the time of issuance in the governmental funds financial statements. In the government-wide financial statements, these costs are recorded as an asset and amortized into expense over the life of the debt.	3,856,438
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:	
Bonds payable	(142,240,000)
Discount on issuance of debt	35,039
Net position for governmental activities	$ (107,004,037)

EXHIBIT F-11

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES		
Intergovernmental	$	3,164,414
Municipal sales tax		5,563,689
Miscellaneous revenues		75,000
Investment income		64,501
Total revenues		8,867,604
EXPENDITURES		
Current:		
Economic development		10,500
Debt services:		
Interest and fiscal charges		7,456,230
Total expenditures		7,466,730
NET CHANGE IN FUND BALANCE		1,400,874
FUND BALANCE, BEGINNING OF YEAR		11,391,239
FUND BALANCE, END OF YEAR	$	12,792,113

EXHIBIT F-12

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - Local Development Corporation	$	1,400,874
Amounts reported for governmental activities in the statement of activities are different because:		
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		(2,123)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		(2,816,798)
Change in net position of governmental activities	$	(1,418,047)

THE
COLONY
City by the Lake

STATISTICAL SECTION

THE
COLONY
City by the Lake

STATISTICAL SECTION
(Unaudited)

The City of the Colony's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		Tables
Financial Trends	These Schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity	These schedules present information to help the reader assess the City's most significant local revenue source, the property tax.	5-8
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9-13
Demographic and Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14-16
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relate to the services the City provides and the activities it performs.	17-18

CITY OF THE COLONY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	**2010**	**2011**	**2012**
Governmental activities				
Net investment in capital assets	$ 120,522,026	$ 120,889,617	$ 120,171,449	$ 124,203,756
Restricted for:				
Debt service	1,378,540	1,417,890	1,328,743	616,551
Construction	-	-	-	-
Government funded construction costs	-	21,587,370	15,162,606	18,841,254
Other	-	-	-	-
Unrestricted	6,788,851	7,104,234	12,898,833	18,856,491
Total governmental activities net position	$ 128,689,417	$ 150,999,111	$ 149,561,631	$ 162,518,052
Business-type activities				
Net investment in capital assets	$ 34,221,183	$ 34,339,436	$ 32,790,670	$ 34,435,853
Restricted for:				
Debt service	2,008,372	2,125,650	2,035,533	1,630,663
Construction	-	-	-	-
Government funded construction costs	-	-	-	-
Unrestricted	4,527,153	5,272,751	7,431,021	6,214,403
Total business-type activities net position	$ 40,756,708	$ 41,737,837	$ 42,257,224	$ 42,280,919
Primary government				
Net investment in capital assets	$ 154,743,209	$ 155,229,053	$ 152,962,119	$ 158,639,609
Restricted for:				
Debt service	3,386,912	3,543,540	3,364,276	2,247,214
Construction	-	-	-	-
Governmental funded construction costs	-	21,587,370	15,162,606	18,841,254
Other	-	-	-	-
Unrestricted	11,316,004	12,376,985	20,329,854	25,070,894
Total primary governmental net position	$ 169,446,125	$ 192,736,948	$ 191,818,855	$ 204,798,971

TABLE 1

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 138,322,067	$192,477,376	$192,477,376	$216,941,085	$204,138,146	$ 193,724,440
491,954	1,257,148	1,257,148	1,826,579	1,027,528	902,127
-	367,397	367,397	367,397	367,397	-
36,282,548	578,825	578,825	791,860	1,729,804	4,716,830
-	1,014,418	1,014,418	1,264,226	1,684,065	2,313,497
8,376,946	10,388,094	10,388,094	17,693,194	8,666,844	8,704,028
$ 183,473,515	$206,083,258	$206,083,258	$238,884,341	$217,613,784	$ 210,360,922
$ 35,059,168	$ 40,490,252	$ 40,490,252	$ 25,654,373	$ 97,282,865	$ 103,990,659
1,630,805	-	-	-	-	-
-	1,333,988	1,333,988	1,413,437	2,323,551	-
-	-	-	-	-	2,482,944
4,984,955	3,890,445	3,890,445	17,934,272	2,128,657	4,887,549
$ 41,674,928	$ 45,714,685	$ 45,714,685	$ 45,002,082	$101,735,073	$ 111,361,152
$ 173,381,235	$232,967,628	$232,967,628	$242,595,458	$301,421,011	$ 297,715,099
2,122,759	1,257,148	1,257,148	1,826,579	1,027,528	902,127
-	1,701,385	1,701,385	1,780,834	2,690,948	-
36,282,548	578,825	578,825	791,860	1,729,804	7,199,774
-	1,014,418	1,014,418	1,264,226	1,684,065	2,313,497
13,361,901	14,278,539	14,278,539	35,627,466	10,795,501	13,591,577
$ 225,148,443	$251,797,943	$251,797,943	$283,886,423	$319,348,857	$ 321,722,074

CITY OF THE COLONY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	$ 6,047,649	$ 5,348,676	$ 5,358,521	$ 5,088,732
Public safety	11,931,119	12,007,197	14,315,846	13,033,809
Public works	6,460,351	7,259,566	6,103,481	6,540,099
Culture and recreation	4,166,790	4,328,613	4,220,462	4,383,077
Interest on Long-term Debt	2,294,631	2,148,148	2,803,970	2,262,515
Total governmental activities expenses	30,900,540	31,092,200	32,802,280	31,308,232
Business-type activities:				
Water and sewer	12,267,934	12,675,692	12,966,102	13,262,154
Total business-type activities expenses	12,267,934	12,675,692	12,966,102	13,262,154
Total primary government expenses	$ 43,168,474	$ 43,767,892	$ 45,768,382	$ 44,570,386
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 1,458,466	$ 2,339,378	$ 2,394,953	$ 1,382,069
Public safety	1,556,809	1,376,055	1,756,273	1,467,787
Public works	648,546	3,035	-	-
Culture and recreation	628,334	636,493	681,708	691,786
Operating grants and contributions	1,760,789	2,113,635	1,532,482	14,574,876
Capital grants and contributions	3,947,382	24,282,758	1,939,338	2,766,960
Total governmental activities program revenues	10,000,326	30,751,354	8,304,754	20,883,478
Business-type activities:				
Charges for Services:				
Water and sewer	13,219,584	13,615,694	14,502,097	13,646,312
Operating grants and contributions	-	307,870	-	-
Capital grants and contributions	2,190,944	1,794,035	731,229	676,404
Total business-type activities program revenues	15,410,528	15,717,599	15,233,326	14,322,716
Total primary government program revenues	$ 25,410,854	$ 46,468,953	$ 23,538,080	$ 35,206,194
Net (Expenses) Revenues				
Governmental activities	$ (20,900,214)	$ (340,846)	$ (24,497,526)	$ (10,424,754)
Business-type activities	3,142,594	3,041,907	2,267,224	1,060,562
Total primary government net expenses	$ (17,757,620)	$ 2,701,061	$ (22,230,302)	$ (9,364,192)

Source: Comprehensive Annual Financial Report

TABLE 2

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 5,376,865	$ 4,657,245	$ 8,498,744	$ 11,225,704	$ 13,083,945	$ 17,442,292
13,307,649	14,111,478	13,702,805	17,950,628	19,078,137	19,917,944
5,901,952	6,365,189	6,634,461	6,601,440	33,589,099	15,129,445
4,603,345	4,861,085	4,945,616	5,171,748	5,504,249	6,011,423
1,718,298	1,615,808	1,552,854	1,390,574	1,731,842	1,729,008
30,908,109	31,610,805	35,334,480	42,340,094	72,987,272	60,230,112
14,009,946	14,046,013	15,332,384	16,750,973	19,040,918	19,670,658
14,009,946	14,046,013	15,332,384	16,750,973	19,040,918	19,670,658
$ 44,918,055	$ 45,656,818	$ 50,666,864	$ 59,091,067	$ 92,028,190	$ 79,900,770
$ 1,820,291	$ 817,907	$ 677,339	$ 3,608,782	$ 1,927,505	$ 2,389,337
1,269,844	1,909,552	1,621,361	1,546,836	1,643,454	1,966,757
-	1,734,579	3,308,308	2,213,005	2,292,974	2,245,868
1,249,298	738,844	758,969	764,819	813,238	821,582
22,019,655	2,673,886	5,712,865	3,268,620	2,641,513	103,553
2,899,255	8,730,508	11,365,061	25,670,242	10,303,953	10,158,807
29,258,343	16,605,276	23,443,903	37,072,304	19,622,637	17,685,904
13,579,477	14,406,435	15,210,296	15,959,047	17,724,046	20,009,706
-	51,745	306,999	307,161	306,545	-
1,338,003	1,572,935	5,055,328	6,426,313	53,449,568	3,622,560
14,917,480	16,031,115	20,572,623	22,692,521	71,480,159	23,632,266
$ 44,175,823	$ 32,636,391	$ 44,016,526	$ 59,764,825	$ 91,102,796	$ 41,318,170
$ (1,649,766)	$ (15,005,529)	$ (11,890,577)	$ (5,267,790)	$ (53,364,635)	$ (42,544,208)
907,534	1,985,102	5,240,239	5,941,548	52,439,241	3,961,608
$ (742,232)	$ (13,020,427)	$ (6,650,338)	$ 673,758	$ (925,394)	$ (38,582,600)

CITY OF THE COLONY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	$ 14,718,171	$ 14,733,978	$ 14,643,407	$ 14,797,974
Sales taxes	3,096,768	3,118,514	3,435,175	3,655,111
Franchise taxes	2,049,184	2,024,933	2,199,253	3,104,073
Hotel motel taxes	129,444	282,798	371,056	370,798
Penalties and interest	124,297	154,803	102,593	155,272
Interest on investments	294,167	39,924	76,193	50,088
Impact fees	(360,501)	-	-	-
Miscellaneous	407,769	-	-	-
Transfers	1,857,605	2,295,590	2,232,369	1,247,859
Total governmental activities	22,316,904	22,650,540	23,060,046	23,381,175
Business-type activities:				
Property taxes	9,170	12,660	-	-
Interest on investments	199,739	29,222	21,000	16,263
Impact fees	835,678	139,110	-	-
Miscellaneous	22,577	-	463,532	194,729
Gain/loss on sale/disposal of capital assets	-	-	-	-
Transfers	(1,857,605)	(2,295,590)	(2,232,369)	(1,247,859)
Total business-type activities	(790,441)	(2,114,598)	(1,747,837)	(1,036,867)
Total primary government	21,526,463	20,535,942	21,312,209	22,344,308
Change in Net Position				
Governmental activities	1,416,690	22,309,694	(1,437,480)	12,956,421
Business-type activities	2,352,153	927,309	519,387	23,695
Total primary government	$ 3,768,843	$ 23,237,003	$ (918,093)	$ 12,980,116

Source: Comprehensive Annual Financial Report

Note: Significant decrease in public works expense in FY2018 due to prior year $26 million contribution of capital assets to Texas Department of Transportation.

TABLE 2 – cont.

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 14,926,095	$ 15,561,110	$ 17,277,344	$ 21,204,646	$ 24,719,070	$ 27,584,526
4,098,458	4,452,674	5,294,228	5,736,997	6,357,581	7,100,104
2,205,461	2,415,524	2,672,475	2,527,792	2,609,706	2,705,950
425,177	473,743	525,449	668,011	1,275,280	1,525,722
98,147	58,769	130,513	294,798	125,543	133,895
43,567	19,516	19,660	102,126	256,672	729,690
-	-	-	-	-	-
501,649	706,755	763,871	792,311	838,429	1,521,033
1,282,318	652,385	2,004,806	6,742,192	(4,088,203)	(5,397,569)
23,580,872	24,340,476	28,688,346	38,068,873	32,094,078	35,903,351
-	-	-	-	-	-
8,093	3,056	14,125	88,041	205,547	356,102
-	-	-	-	-	-
441,338	-	-	-	-	-
-	-	-	-	-	-
(1,282,318)	(652,385)	(2,004,806)	(6,742,192)	4,088,203	5,397,569
(832,887)	(649,329)	(1,990,681)	(6,654,151)	4,293,750	5,753,671
22,747,985	23,691,147	26,697,665	31,414,722	36,387,828	41,657,022
21,931,106	9,334,947	16,797,769	32,801,083	(21,270,557)	(6,640,857)
74,647	1,335,773	3,249,558	(712,603)	56,732,991	9,715,279
$ 22,005,753	$ 10,670,720	$ 20,047,327	$ 32,088,480	$ 35,462,434	$ 3,074,422

CITY OF THE COLONY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	**2010**	**2011**	**2012**
General Fund				
Reserved for:				
Encumbrances	$ 128,959	$ 152,211	$ -	$ -
Unreserved- designated for	-	-	-	-
Hidden Cove Park	165,000	156,000	-	-
Unreserved and undesignated	6,445,698	6,771,098	-	-
Restricted for capital projects	-	-	-	-
Nonspendable	-	-	-	112,876
Unassigned	-	-	7,904,478	7,407,174
Total general fund	$ 6,739,657	$ 7,079,309	$ 7,904,478	$ 7,520,050
All Other Governmental Funds				
Reserved for:				
Encumbrances	$ 97,326	$ 83,971	$ -	$ -
Capital Projects	2,832,183	32,766,218	-	-
Debt Service	1,301,247	1,592,932	-	-
Court security and technology	288,755	328,436	-	-
Unreserved and undesignated	393,979	584,000	-	-
Restricted for:				
Capital Projects	-	-	19,856,420	30,118,151
Debt Service	-	-	1,328,743	616,551
Other	-	-	873,735	901,645
Committed	-	-	480,430	268,589
Nonspendable	-	-	-	-
Unassigned	-	-	(152,544)	-
Total all other governmental funds	$ 4,913,490	$ 35,355,557	$ 22,386,784	$ 31,904,936

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No. 54, which impacted both the classifications of funds and classifications of balances within the funds, in 2011.

TABLE 3

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	367,397	367,397	367,397	367,397	-
99,785	87,434	109,169	284,122	313,070	110,389
8,307,886	10,458,525	12,622,396	13,275,540	13,503,540	14,396,285
$ 8,407,671	$ 10,913,356	$ 13,098,962	$ 13,927,059	$ 14,184,007	$ 14,506,674
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
			-	-	-
38,356,081	12,241,468	3,284,839	790,306	1,729,804	20,717,454
491,954	650,022	1,390,478	1,922,262	1,133,536	1,159,562
915,493	1,014,418	801,546	1,261,149	1,681,336	2,313,497
422,302	4,208,038	5,566,517	10,688,119	11,099,306	1,386,721
-	-	-	5,565	5,294	931
-	-	(1,230,851)	-	-	-
$ 40,185,830	$ 18,113,946	$ 9,812,529	$ 14,667,401	$ 15,649,276	$ 25,578,165

CITY OF THE COLONY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Ad valorem taxes, penalties and interest	$ 14,907,953	$ 14,835,935	$ 14,979,835	$ 15,002,544
Franchise taxes	2,049,184	2,024,933	2,199,253	2,266,213
Municipal sales tax	3,096,768	3,118,514	3,435,175	3,655,111
Licenses and permits	1,605,611	1,137,189	1,350,128	1,382,069
Charges for services	1,073,813	1,105,877	1,172,459	998,347
Fines and forfeitures	1,051,424	1,055,261	1,348,594	1,161,226
Grants	319,275	350,595	166,116	232,186
Gifts and contributions	1,661,870	1,763,040	1,713,597	1,899,880
Hotel / motel taxes	129,444	282,798	371,056	370,798
Capital recovery fees	2,984,691	23,444,825	1,477,503	14,574,876
Interest earned	293,179	39,690	76,193	50,088
Miscellaneous	883,425	1,056,634	1,046,066	837,860
Total revenues	30,056,637	50,215,291	29,335,975	42,431,198
EXPENDITURES				
Current				
General government	5,372,394	5,259,315	5,242,015	4,068,715
Public safety	11,189,360	13,970,748	17,507,678	12,277,603
Public works	4,426,316	5,100,959	9,870,654	7,156,968
Cultural and recreation	3,876,561	4,367,343	4,746,425	4,561,579
Fleet replacement				
Economic development				
Capital Outlay	6,632,542	734,486	383,637	109,838
Debt Service:				
Principal retirement	3,106,100	3,301,150	3,415,254	4,434,919
Interest and fiscal charges	2,121,938	1,944,886	2,555,585	2,245,051
Other debt service costs	-	380,436	111,541	140,574
Total expenditures	36,725,211	35,059,323	43,832,789	34,995,247
Excess (deficiency) of revenues over (under) expenditures	(6,668,574)	15,155,968	(14,496,814)	7,435,951
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	12,725,000	-	-
Issuance of refunding debt	-	4,750,000	5,728,800	6,056,900
Payment of escrow for refunding debt	-	(5,039,202)	(5,971,643)	(6,076,552)
Premium on issuance of debt	-	894,364	363,684	160,226
Proceeds from sale of capital assets	-	-	-	-
Transfers from other funds	3,918,514	3,918,968	4,317,840	7,190,015
Transfers to other funds	(2,088,915)	(1,623,379)	(2,085,471)	(5,632,816)
Total other financing sources (uses)	1,829,599	15,625,751	2,353,210	1,697,773
NET CHANGE IN FUND BALANCES	$ (4,838,975)	$ 30,781,719	$ (12,143,604)	$ 9,133,724
Debt service as a percentage of noncapital expenditures	17.4%	16.4%	14.0%	19.6%

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 14,935,642	$ 15,487,211	$ 17,708,151	$ 21,257,383	$ 24,665,737	$ 28,073,387
2,205,461	2,415,524	2,672,475	2,527,792	2,609,706	2,705,950
4,098,458	4,452,674	5,294,228	5,736,997	6,357,581	7,100,104
1,820,291	2,548,914	4,076,413	3,113,013	3,150,756	3,183,516
1,249,298	1,308,917	1,248,868	4,150,248	2,672,368	3,245,584
1,269,844	1,343,051	1,040,696	870,181	854,047	984,744
465,057	309,622	326,685	316,672	412,631	102,554
2,175,919	2,700,591	5,881,783	3,252,323	2,445,113	4,712,701
425,177	473,473	525,449	668,011	1,275,280	1,525,722
21,519,655	6,712,194	1,090,071	2,518,123	1,495,213	905,300
43,567	19,516	19,660	102,126	256,672	729,690
501,649	706,755	770,156	792,311	838,429	1,521,033
50,710,018	38,478,442	40,654,635	45,305,180	47,033,533	54,790,285
4,264,620	3,956,996	4,738,905	7,739,892	9,005,102	12,787,913
12,374,865	12,797,691	13,950,864	15,162,864	16,904,990	18,538,271
2,001,302	2,181,484	3,204,557	3,480,223	4,119,371	3,955,801
4,155,473	4,233,864	4,435,393	4,473,519	4,803,444	5,370,608
16,283,998	30,700,864	20,723,176	9,801,947	12,722,830	8,985,109
4,195,250	4,066,150	4,255,146	3,985,693	3,945,295	4,485,630
1,550,643	1,647,599	1,638,941	1,485,036	1,885,328	2,044,983
117,838	25,169	55,015	272,250	269,752	194,643
44,943,989	59,609,817	53,001,997	46,401,424	53,656,112	56,362,958
5,766,029	(21,131,375)	(12,347,362)	(1,096,244)	(6,622,579)	(1,572,673)
2,073,533	-	3,040,800	-	9,204,000	12,726,000
2,795,693	-	-	9,023,150	-	-
(3,120,000)	-	-	(9,623,402)	-	-
370,942	-	250,945	637,273	-	533,188
-	-	935,000	-	731,402	-
2,754,588	3,718,125	5,277,829	14,488,155	3,332,936	13,769,908
(1,472,270)	(2,153,219)	(3,273,023)	(7,745,963)	(5,406,936)	(15,204,867)
3,402,486	1,564,906	6,231,551	6,779,213	7,861,402	11,824,229
$ 9,168,515	$ (19,566,469)	$ (6,115,811)	$ 5,682,969	$ 1,238,823	$ 10,251,556
20.6%	19.8%	17.8%	15.6%	14.0%	13.7%

TABLE 5

CITY OF THE COLONY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITIED)

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farm Property	Less: Tax Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value[b] as a Percentage of Actual Value
2009	$ 1,522,142,530	$ 611,399,792	$ 209,972	$ 78,053,258	$ 2,055,699,036	$0.69000	$ 2,055,699,036	100.00%
2010	1,560,226,270	687,641,850	159,840,111	261,431,780	2,146,276,451	$0.68800	2,146,276,451	100.00%
2011	1,569,607,583	632,696,025	150,073,277	257,990,301	2,094,386,584	$0.68550	2,094,386,584	100.00%
2012	1,601,232,947	665,867,076	151,296,903	262,401,818	2,155,995,108	$0.68300	2,155,995,108	100.00%
2013	1,570,595,410	725,097,869	119,916,725	235,621,588	2,179,988,416	$0.68000	2,179,988,416	100.00%
2014	1,639,008,480	850,183,936	97,622,211	279,763,849	2,307,050,778	$0.67750	2,307,050,778	100.00%
2015	1,825,181,743	1,096,166,239	99,116,629	395,343,379	2,625,121,232	$0.67250	2,625,121,232	100.00%
2016	2,049,580,033	1,366,491,362	80,496,674	396,069,625	3,100,498,444	$0.67000	3,100,498,444	100.00%
2017	2,402,844,301	1,657,374,018	79,968,769	522,157,525	3,618,029,563	$0.66750	3,618,029,563	100.00%
2018	2,759,088,028	1,754,755,888	73,977,449	513,136,124	4,074,685,241	$0.66500	4,074,685,241	100.00%

Source: City of The Colony Budget Document
Denton Central Appraisal District

Note: The County assesses property at 100% of its market value. Tax rates are per $100 of assessed value.

[a] Includes adjustments to certified rolls.
[b] Includes tax exempt property.

TABLE 6

CITY OF THE COLONY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lewisville Independent School District	Denton County
2009	0.48928	0.20072	0.69000	1.380	0.23577
2010	0.49158	0.19642	0.68800	1.409	0.24980
2011	0.49166	0.19384	0.68550	1.427	0.27390
2012	0.47997	0.20303	0.68300	1.426	0.27736
2013	0.46026	0.21974	0.68000	1.453	0.28287
2014	0.45902	0.21848	0.67750	1.477	0.28491
2015	0.47634	0.19616	0.67250	1.477	0.27220
2016	0.51036	0.15964	0.67000	1.420	0.26200
2017	0.56420	0.10330	0.66750	1.420	0.24841
2018	0.51500	0.15000	0.66500	1.408	0.23781

CITY OF THE COLONY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

	2018		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value[a]
TXFM Inc	$ 135,000,000	1	3.73%
Huds Land Ltd	84,332,328	2	2.33%
Somerset Land Ltd	57,353,154	3	1.59%
AR No. 5 LLC	55,123,101	4	1.52%
TXFM Inc	40,000,000	5	1.11%
AR Phase VI Investors LLC	39,617,328	6	1.09%
Memorial Drive TX Partners, LLC	38,950,000	7	1.08%
TXFM Inc	44,749,248	8	1.24%
The Residences of Austin Ranch No.3 LLC	38,507,029	9	1.06%
VR Estancia Holdings LP	36,916,467	10	1.02%
The Residences of Austin Ranch Ph 1	-		-
The Residences of Austin Ranch Ph IV	-		-
Wynnwood Peninsula Venture	-		-
The Residences of Austin Ranch Ph II	-		-
The Residences of Austin Ranch Ph I-IV	-		-
Estancia at Morningstar II LP	-		-
Sonoma Grande at The Legends LP	-		-
Bristol Oaks Apartments P/S II LP	-		-
Wal-Mart Real Est Bus	-		-
TXU Electric Delivery Co.	-		-
	$ 570,548,655		15.77%

Source: City of The Colony Budget Document and the Denton Central Appraisal District.

Note: [a] Taxpayers are assessed on January 1, 2017 (2017 tax year) for the 2018 fiscal year.

TABLE 7

2009		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value[a]
$ 40,913,648	1	1.99%
38,684,806	2	1.88%
34,790,363	3	1.69%
34,689,716	4	1.69%
33,654,556	5	1.64%
28,002,031	6	1.36%
24,770,000	7	1.20%
19,340,123	8	0.94%
14,903,918	9	0.73%
12,161,630	10	0.59%
$ 281,910,791		13.71%

TABLE 8

CITY OF THE COLONY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	14,429,083	14,198,198	98.40%	222,237	14,420,435	99.94%
2010	14,712,417	14,381,516	97.75%	319,898	14,701,414	99.93%
2011	14,374,862	14,170,540	98.58%	189,522	14,360,062	99.90%
2012	14,725,447	14,671,313	99.63%	4,182	14,675,495	99.66%
2013	14,857,405	14,770,162	99.41%	36,042	14,806,204	99.66%
2014	15,754,513	15,648,851	99.33%	48,993	15,697,844	99.64%
2015	17,809,441	17,649,319	99.10%	88,356	17,737,675	99.60%
2016	20,872,716	20,755,698	99.44%	25,239	20,780,937	99.56%
2017	24,520,957	24,217,306	98.76%	-	24,217,306	98.76%
2018	27,828,610	27,751,152	99.72%	-	27,751,152	99.72%

Source: Denton County Tax Assessor and Collector

Note: [a] Taxpayers are assessed on January 1, 2017 (2017 tax year) for the 2018 fiscal year.

TABLE 9

CITY OF THE COLONY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

	Governmental Activities				Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Other Obligations	Premiums/ Discounts	Water and Sewer Revenue Bonds	Other Obligations	Premiums/ Discounts	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2009	$ 14,420,000	$ 28,784,840	$ -	$ -	$ 20,000,000	$ 26,170,860	$ -	$ 89,375,700	6.12%	2,229
2010	18,215,000	34,450,254	-	-	18,810,000	29,292,011	-	100,767,265	6.32%	2,254
2011	22,603,800	26,650,000	-	-	17,565,000	28,159,259	-	94,978,059	6.48%	2,083
2012	23,505,550	24,097,222	-	-	14,545,000	-	-	62,147,772	4.05%	1,360
2013	23,778,250	18,900,000	-	1,832,546	990,000	39,830,699	2,356,256	87,687,751	5.35%	1,896
2014	21,140,410	18,023,500	-	4,920,460	-	36,341,435	2,766,448	83,192,253	2.50%	1,849
2015	18,087,560	19,947,850	849,154	1,847,216	-	52,177,845	4,012,577	96,922,202	2.40%	2,154
2016	19,344,210	14,765,000	767,611	2,106,044	-	59,333,395	4,130,875	100,447,135	2.32%	2,155
2017	16,580,250	22,872,150	683,127	2,592,781	-	63,537,195	4,434,849	110,700,352	2.39%	2,479
2018	15,711,300	37,356,650	595,597	3,260,811	-	56,917,050	3,724,154	117,565,562	2.48%	2,691

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[a]See Table 14 for personal income and population data.

TABLE 10

CITY OF THE COLONY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

	Governmental Activities			Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premium/ Discount	General Obligation Bonds	Certificates of Obligation	Premium/ Discount	Total	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
2009	$ 14,420,000	$ 28,784,840	$ -	$ 20,000,000	$ 26,170,860	$ -	$ 89,375,700	4.35%	2,229
2010	18,215,000	34,450,254	-	18,810,000	29,292,011	-	100,767,265	4.69%	2,254
2011	22,603,800	26,650,000	-	1,846,200	26,313,059	-	77,413,059	3.70%	1,698
2012	23,505,550	24,097,222	-	3,879,500	24,997,778	-	76,480,050	3.55%	1,674
2013	23,778,250	21,256,051	1,832,546	15,071,750	23,768,949	2,356,256	83,875,000	3.85%	1,814
2014	21,585,733	19,320,803	4,920,460	26,773,235	9,568,200	2,766,448	77,247,971	3.35%	1,717
2015	18,087,560	19,947,850	1,847,216	25,275,445	18,087,560	4,012,577	81,398,415	3.10%	1,809
2016	19,344,210	14,765,000	2,106,044	26,868,145	32,465,250	4,130,875	93,442,605	3.01%	2,113
2017	16,580,250	22,872,150	2,592,781	24,154,095	39,383,100	4,434,849	110,017,225	3.04%	2,605
2018	15,711,300	37,356,650	3,260,811	20,873,700	36,043,350	3,724,154	116,969,965	2.87%	2,779

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[a]See Table 5 for property value data.

[b]See Table 14 for population data.

TABLE 11

CITY OF THE COLONY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.690	0.688	0.686	0.683	0.680	0.678	0.673	0.670	0.6675	0.6650
Available Tax Rate	$ 1.81	$ 1.81	$ 1.81	$ 1.82	$ 1.82	$ 1.82	$ 1.83	$ 1.83	$ 1.83	$ 1.84

Note: The City Charter of the City of The Colony, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

TABLE 12

CITY OF THE COLONY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2018 (UNAUDITED)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	The Colony Share of Overlapping Debt
Lewisville I.S.D.	$ 1,661,325,223	12.23%	$ 203,180,075
Little Elm I.S.D.	300,413,031	5.33%	16,012,015
Denton County	612,630,000	1.70%	10,414,710
	2,574,368,254		229,606,800
City of The Colony (direct debt)	56,328,761	100.00%	56,328,761
Total direct and overlapping debt	$ 2,630,697,015		$ 285,935,561

Source: Assessed value data used to estimate applicable percentages provided by Denton Central Appraisal District. Debt outstanding data provided by each governmental unit.

[a] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

TABLE 13

CITY OF THE COLONY, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2009	$ 14,268,870	$ 7,971,554	$ 6,297,316	$ 3,914,859	1.61
2010	13,796,686	7,963,716	5,832,970	4,416,029	1.32
2011	14,989,707	8,139,958	6,849,749	4,721,414	1.45
2012	13,925,260	8,660,247	5,265,013	4,265,022	1.23
2013	14,800,804	9,425,182	5,375,622	4,588,214	1.17
2014	15,013,195	9,871,033	5,142,162	1,795,023	2.86
2015	16,676,674	10,358,961	6,317,713	1,865,816	3.39
2016	16,354,249	11,636,866	4,717,383	2,840,353	1.66
2017	18,236,138	12,543,069	5,693,069	3,263,180	1.74
2018	20,365,808	12,730,553	7,635,255	3,088,754	2.47

Note: [a] Includes operating and non-operating revenues.

[b] Includes operating expenses minus depreciation.

[c] Includes Principal and Interest.

TABLE 14

CITY OF THE COLONY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS (UNAUDITED)

Year	Estimated Population[a]	Personal Income	Per Capita Personal Income[b]	Median Age[b]	Median Household Income[b]	School Enrollment[c]	Unemployment Rate[d]
2009	40,100	1,460,843,000	36,430	33	90,162	6,536	7.7%
2010	44,704	1,594,189,344	35,661	33	92,104	6,476	7.1%
2011	45,600	1,466,450,400	32,159	30	62,738	6,435	7.8%
2012	45,700	1,535,657,100	33,603	33	76,663	6,472	7.0%
2013	46,248	1,639,954,080	35,460	30	62,738	6,688	7.0%
2014	45,000	3,322,890,000	73,842	33	73,842	6,714	5.5%
2015	45,000	4,035,285,000	89,673	35	74,162	6,739	3.2%
2016	44,228	4,116,565,328	93,076	35.5	93,076	6,718	3.5%
2017	42,228	4,378,072,356	103,677	35.5	83,877	6,656	3.4%
2018	42,090	4,558,894,170	108,313	34.9	84,769	6,451	3.3%

Sources: [a] Estimated Population - City of The Colony

[b] Per Capital Income, Median Age & Median Household Income - Community Sourcebook of ZIP Code Demographics

[c] School enrollment - Texas Education Agency

[d] Unemployment - Texas Workforce Commission

Note: Personal income is calculated by multiplying estimated population by per capita personal income.

TABLE 15

CITY OF THE COLONY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND SIX YEARS AGO (UNAUDITED)

	2018			2012		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Nebraska Furniture Mart	1,800	1	7.64%			
Lewisville ISD	722	2	3.06%	405	1	N/A
Wal-Mart	357	3	1.51%	320	2	N/A
City of The Colony	325	4	1.38%	382	3	N/A
Hawaiian Falls	250	5	1.06%	200	4	N/A
Home Depot	112	6	0.48%	117	5	N/A
Edward Don	105	7	0.45%	100	6	N/A
Quest Resource Mgmt	100	8	0.42%			N/A
Austin Ranch	93	9	0.39%			
Texas Roadhouse	90	10	0.38%			
Kroger				92	7	N/A
Albertson's				75	8	N/A
Golden Corral				65	9	N/A
The Tribute				60	10	N/A
	3,954		16.77%	1,816		

Source: City of The Colony Economic Development Corporation
Note: Data for 2009 was not available at the time.

TABLE 16

CITY OF THE COLONY, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	30	29	33	43	43	44	30	31	34	34
Public safety	133	138	140	140	140	141	142	151	165	174
Public works	48	48	47	37	37	36	42	45	47	49
Culture and recreation	34	70	38	38	38	39	38	38	35	35
Water/wastewater/ Utilities	44	42	28	28	28	28	37	37	40	40
Total	289	327	286	286	286	288	289	302	321	332

Sources: City of The Colony Budget Document

THE
COLONY
City by the Lake

CITY OF THE COLONY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
Function/Program	**2009**	**2010**	**2011**	**2012**
Police				
Number of police officers	53	53	53	53
Number of violations (citations)	10,521	10,386	13,935	11,619
Municipal Court				
Number of traffic cases	10,743	9,480	13,460	11,532
Number of city ordinance cases	480	520	492	467
Fire				
Number of fire fighters	49	49	52	50
Number of emergency fire responses	487	581	735	568
Number of medical emergencies	1,657	1,831	1,926	1,774
Development Services				
Total number of building permits[a]	2,191	206	2,042	2,508
Estimated valuation[a]	$ 97,973,276	$ 43,743,748	$ 80,964,772	$ 59,077,321
Parks and Recreation				
Number of acres	983	983	983	983
Number of recreation center participants	34,633	33,589	39,166	43,083
Library				
Volumes in collection[b]	86,994	81,659	85,129	89,385
Number of library cardholders	19,450	16,960	19,479	20,453
Water and wastewater				
Number of water accounts	11,686	11,723	11,661	11,881
Average daily water consumption (millions of gallons)	3.84	3.86	4.50	4.57
Average daily effluent (millions of gallons)	3.84	2.28	2.16	2.34

Sources: City Departments

Notes: [a] Includes residential and commercial permits

[b] Includes books and media.

TABLE 17

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
53	53	58	60	60	6
11,619	12,839	5,932	13,935	13,986	15,232
11,532	12,980	6,979	5,298	9,480	11,264
467	327	404	226	805	860
50	51	58	58	64	78
568	720	864	864	860	909
1,774	1,856	2,127	2,127	2,365	2,370
2,508	3,982	272	277	2,556	4,127
$59,077,321	$198,981,751	$ 173,859,498	$127,234,464	$ 213,756,755	$271,621,030
983	983	983	983	983	983
43,083	43,083	50,654	52,424	41,595	44,789
89,385	111,077	115,256	117,538	111,150	121,926
20,453	19,175	18,498	18,042	17,291	16,725
11,881	12,213	12,532	12,893	13,285	13,626
4.57	4.28	4.70	4.97	5.10	5.47
2.34	2.89	2.82	2.74	1,070	1

TABLE 18

CITY OF THE COLONY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Public Safety										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Police Stations	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks and Recreation										
Number of parks	27	27	27	27	27	27	27	27	27	27
Number of baseball diamonds	11	11	11	11	11	11	11	11	11	11
Number of soccer/football fields	16	16	16	16	16	16	16	16	16	16
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Water and wastewater										
Water mains (miles)	177	179	193	197	197	209	212	216	194	195
Sanitary sewer mains (miles)	203	206	206	207	207	207	210	213	206	207
Fire hydrants	1,339	1,367	1,391	1,420	1,420	1,536	1,637	1,680	1,795	1,824

Sources: City Departments

Notes: [a] Includes residential and commercial permits

[b] Includes books and media.